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Peer review program materials: on-site team captain package

American Institute of Certified Public Accountants. Peer Review Board

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On-Site Team Captain Package

PEER REVIEW PROGRAM MATERIALS

The following materials are enclosed to assist you in conducting on-site peer reviews of firms with two or more professional staff, as well as, sole practitioners with no professional staff:

Section No.	Checklist/Documents
4100A	Instructions to Firms Having an On-Site Peer Review
4200	Quality Control Policies and Procedures Questionnaire for Sole Practitioners with No Professional Staff
4300	Quality Control Policies and Procedures Questionnaire for Firms With Two or More Professional Staff
4400	Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners with No Professional Staff
4500	Guidelines for Review of Quality Control Policies and Procedures for Firms with Two or More Professional Staff
4600	Staff Interview Questionnaire
4700A	Summary Review Memorandum
4800A	Team Captain Checklist—On-Site Peer Reviews
4900	Instructions for Use of Matter for Further Consideration Forms
20,200	General Compilation Engagement Checklist
20,300	General Review Engagement Checklist
20,400	General Audit Engagement Checklist
20,500	Governmental Audit Engagement Checklist
20,600	Not-for-Profit Audit Engagement Checklist
20,700	Employee Benefit Plan Engagement Checklist
20,800	Prospective Financial Statement Engagement Checklist
20,900	Agreed-Upon Procedures Engagement Checklist

Section No.	Checklist/Documents
21,000	Other Attestation Engagement Checklist
22,010	Supplemental Checklist for Review of Banks and Savings Institutions Audit Engagements
22,030	Supplemental Checklist for Review of Voluntary Health and Welfare Organizations Engagements
22,040	Supplemental Checklist for Review of Construction Contractor Engagements
22,060	Supplemental Checklist for Review of Common Interest Realty Associations
22,070	Supplemental Checklist for Review of Engagements of Health Care Organizations
22,080	Supplemental Checklist for Review of Audits of HUD Engagements
	On-Site Review Billing Form

Please feel free to make additional copies of the enclosed materials if needed.

Failure to complete all relevant programs and checklists in a professional manner creates the presumption that the review has not been performed in conformity with the *Standards for Performing and Reporting on Peer Reviews*. The *Standards for Performing and Reporting on Peer Reviews* can be purchased separately as Product Number 067021. The standards and their interpretations can also be found in the *Peer Review Program Manual* section 3000.

PRP Section 4100A

Instructions to Firms Having an On-Site Peer Review (Effective for Peer Review Years Beginning on or After January 1, 1997)

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General

.01 An on-site peer review is required for all firms that perform one or more audits of historical financial statements, agreed-upon procedures under Statement on Auditing Standards (SAS) No. 75, *Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement* (AICPA, *Professional Standards*, vol. 1, AU sec. 622), or examinations of prospective financial statements under the Statements on Standards for Attestation Engagements (SSAE) because of the public interest in the quality of such engagements and the importance to the accounting profession of maintaining the quality of those services.

.02 On-site peer reviews are administered by state CPA societies that elect to participate in the program. The appropriate society will contact your firm before the beginning of the calendar year in which your firm is scheduled to have an on-site review to begin to make arrangements for the conduct of the review. Well before then, you should have read the applicable sections of *Standards for Performing and Reporting on Peer Reviews* (the *Standards*) issued by the AICPA Peer Review Board, as well as these instructions and the quality control policies and procedures questionnaire and review guidelines applicable to your size firm.

.03 These instructions have been designed for reviews conducted by committee-appointed review teams. However, they should be helpful in reviews conducted by firms or with the assistance of an association of CPA firms. Also, completing the procedures listed under "Prior to the Review" should expedite the conduct of the review.

.04 It is the reviewed firm's responsibility to be certain that the quality control policies and procedures in effect for the period covered by the review have provided the firm with reasonable assurance that it has met its responsibility to provide accounting and auditing services that conform with professional standards. Also, firms should carefully evaluate the effectiveness of the way in which quality control policies and procedures are communicated to all professional personnel and should determine that appropriate action is taken when monitoring or other procedures reveal design or compliance deficiencies.

Prior to the Review

.05 Identify the individual—usually an owner—who will be responsible for acting as a liaison with the review team.

.06 Review and sign the engagement letter for the review.

.07 Agree with the team captain on the date the review will commence, the 12-month period to be covered, and the anticipated exit conference date. The firm is expected to maintain the same year end on subsequent reviews. However, circumstances may arise that necessitate the firm changing its peer review year end. In such a situation, the firm may do so with the prior approval of the state CPA society administering its review. Ordinarily the review should be conducted within three or four months following the end of the year to be reviewed. The firm and team captain should schedule the review to begin sufficiently ahead of the firm's due date to allow time for submission of all peer review documents to the state CPA society administering the review by the firm's due date.

.08 Submit the following to the team captain as soon as possible:

- a. A completed "Quality Control Policies and Procedures Questionnaire." (There is one form of questionnaire for sole practitioners without professional staff and one for all other firms.)
- b. Relevant manuals, checklists, etc., if practicable.

- c. A list of accounting and auditing engagements prepared in the form shown in Appendix A to these instructions. The list should include all engagements with periods ending during the year under review and covered by the definition of an accounting and auditing practice for peer review purposes. See exhibit 1 for a copy of that definition.¹
- d. A list of the firm's professional personnel, showing name, position, and years of experience (i) with the firm and (ii) in total.
- e. Other information requested by the team captain.

.09 Based on that information, the team captain will make a preliminary advance selection of engagements for review. Complete profile sheets on those engagements and assemble all working papers, including the permanent files and reports, before the review begins.

.10 Review the applicable guidelines for review of quality control policies and procedures that will be followed by the team captain and make sure documentation that the team captain will ask for will be readily available. Examples of such documentation are noted in the following list, which is not all-inclusive:

- a. Independence confirmations, documentation of independence of correspondents, and documentation supporting the resolution of independence questions
- b. Personnel files
- c. CPE records
- d. Documentation regarding consultations with outside parties
- e. Dues paid to the AICPA and, if applicable, the Private Companies Practice Section

During the Review

.11 Make sure firm personnel will be available for discussion with the reviewer(s) as necessary. The reviewers will endeavor to have these discussions and interviews without disrupting the firm's operations.

.12 The team captain will inform the firm of any deficiencies noted during the peer review on a form entitled, "Matter for Further Consideration" (MFC), and ask your firm to respond. Typically, the team captain will provide these forms as the review progresses so that the firm is fully prepared to respond to all issues by the exit conference. The firm should provide a thorough written response to those forms to avoid any misunderstanding about its quality control policies and procedures or the circumstances of the individual engagement.

.13 Arrange for appropriate owners and staff to attend the exit conference. If the firm disagrees with any of the reviewer's findings, those differences should be discussed as they arise. Any differences of opinion that have not been previously discussed should be covered during the exit conference.

After the Review

.14 Obtain the report and letter of comments, if any, from the team captain. These documents should be delivered to the firm within 30 days of the exit conference date or by the firm's peer review due date, whichever date is earlier.

¹ Previously, the only types of attestation engagements included within the scope of a peer review were those on prospective financial statements under the SSAE for *Financial Forecasts and Projections* (AICPA, *Professional Standards*, vol. 1, AT sec. 200). The definition of an accounting and auditing practice for peer review purposes has been expanded to include engagements performed under the other SSAE sections if the service pertains to financial information and the CPA firm audits, reviews, or compiles the historical financial statements of the client.

.15 Prepare a letter of response to the report and letter of comments and submit all three documents to the administering entity within 30 days of the date the report and letter of comments are received from the team captain or by the firm's peer review due date, whichever date is earlier. The firm should submit a draft of its letter of response to the team captain for review and comment prior to submitting the response to the administering entity. As indicated in the *Standards*, the letter of response should be carefully prepared because of the important bearing it may have on the decisions reached in connection with acceptance of the report on the review.

.16 The state CPA society administering the review will not make the report on the review available to the public. The firm itself may do so, if it wishes. However, the firm should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that it has been accepted by the administering entity.

.17 After the peer review documents are accepted on a review of a member of the Private Companies Practice Section, a copy of the report, letter of comments, and the reviewed firm's response thereto, and the letter indicating that the committee has accepted the report will be forwarded to the public files of the Division for CPA Firms and will be retained in those files until completion of the subsequent review.

Disagreements

.18 Because peer review is a subjective process and professional standards require the use of professional judgment, there may be differences of opinion between the reviewed firm and the team captain as to whether an engagement deficiency exists. Most disagreements can and should be resolved before the exit conference. In responding to findings involving technical issues the firm should not automatically assume the team captain's interpretation of the standards is the correct one. The firm should ask the team captain to cite the applicable section of the professional standards that supports his or her conclusion and read the applicable section to verify that the comment is applicable to the particular situation. If necessary, the firm should consult with the state CPA society administering the peer review, a knowledgeable outsider, or the AICPA Technical or Ethics hotline.

.19 The reviewed firm should respond in writing to the specific comments on the response section of the "Matter for Further Consideration" (MFC) form. Since MFC forms are read by the state CPA society's technical reviewer and possibly by members of acceptance committees, the firm's response should present the reasons for disagreement or the circumstances that caused the deficiency. Such a response may not only cause the team captain to change his or her mind, but may cause the acceptance committee to question the significance of the deficiency.

.20 In those rare instances where the matter cannot be resolved, the reviewed firm should respond to the letter of comments by addressing each deficiency noted and citing the section of the professional standards that supports its views. The state CPA society peer review committee will attempt to resolve the disagreement.

.21

Exhibit 1**DEFINITION OF AN ACCOUNTING AND AUDITING
PRACTICE FOR PEER REVIEW PURPOSES**

Paragraph 4 of the AICPA *Standards for Performing and Reporting on Peer Reviews* states:

An accounting and auditing practice for the purposes of the AICPA *Standards for Performing and Reporting on Peer Reviews* is defined as all engagements covered by Statements on Auditing Standards (SAS), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards for Attestation Engagements (SSAE) for *Financial Forecasts and Projections* (AICPA, *Professional Standards*, vol. 1, AT sec. 200), attest services on financial information when the firm audits, reviews, or compiles the historical financial statements of the client, and standards for financial and compliance audits contained in *Government Auditing Standards* (the Yellow Book) issued by the U.S. General Accounting Office (GAO).

.22

Appendix A

AN ILLUSTRATION OF A LIST OF ACCOUNTING AND AUDITING CLIENTS

<i>Client Code</i>	<i>Period Covered</i>	<i>Level of Service Provided*</i>	<i>Initial Eng.</i>	<i>Industry**</i>	<i>Name of Partner</i>	<i>Approx. Total Hours***</i>
10001	9/30/93	AUP (Bank Director's Exam)	N	125	White	500
10002	10/31/93	A5	Y	165	Smith	350
10003	6/30/93	A2	N	320	Jones	275
10005	12/31/93	A3	N	260	Smith	150
10005	6/30/93	R	N	260	Smith	110
20001	12/31/93	R	Y	165	Smith	100
20002	3/31/94	R	N	245	White	125
20003	4/30/94	R	N	270	Jones	45
20003	3/31/94	C	N	270	Jones	35
30001	12/31/93	C	N	165	Smith	50
30002	3/31/94	CO	N	270	Jones	40
30003	6/30/93	CO	N	270	Jones	60
30004	9/30/93	PFSC	Y	270	Jones	40
30005	12/31/93	C	N	220	White	80
		Total				<u>1960</u>

* Denotes the level of service by using the codes set forth on page 4115.

** Denotes the type of industry by using the codes set forth on page 4116.

*** Total hours should include only the time from the completed trial balance to the issuance of the accountant's report on the financial statements. Total hours do not include clerical, computer entry, payroll services, taxes, etc.

Codes for Level of Service

A1	Audit of SEC Registrant
A2	Audit Performed Under <i>Government Auditing Standards</i> Issued by the U.S. General Accounting Office, including engagements subject to OMB Circular A-128 and OMB Circular A-133
A3	Audit Performed Under the Employee Retirement Income Security Act of 1974 (ERISA)
A4	Audit of Financial Institution With Over \$500 Million in Total Assets
A5	Other Audits of Historical Financial Information
A6	Other Special Audits—Identify
AUP	Agreed-Upon Procedures Under SAS No. 75
PFSE	Examination of Prospective Financial Statements
PFSC	Compilation of Prospective Financial Statements
PFSaup	Agreed-Upon Procedures of Prospective Financial Statements
ATE	Examination of Written Assertions*
ATR	Review of Written Assertions*
ATAUP	Agreed-Upon Procedures of Written Assertions*
R	Review of Historical or Personal Financial Statements
C	Compilation of Historical or Personal Financial Statements With Disclosures
CO	Compilation of Historical or Personal Financial Statements Omitting Substantially All Disclosures

* Include only if the attestation engagement is on financial information and the firm performed an audit, review, or compilation of the client's historical financial statements.

Industry Codes

110	Agricultural, Livestock, Forestry & Fishing	240	Life Insurance Companies
115	Airlines	245	Manufacturing
120	Auto Dealerships	250	Mortgage Banking
125	Banking	255	Motor Carriers
130	Broadcasting and Entertainment	260	Not-for-Profit Organizations (including Voluntary Health and Welfare Organizations)
135	Brokers and Dealers in Securities	265	Employee Benefit Plans (including ERISA audits)
140	Brokers and Dealers in Commodities	268	Personal Financial Statements
145	Casinos	270	Professional Services (Doctors, Lawyers, Architects, etc.)
150	Colleges and Universities	275	Publishing
155	Common Interest Realty Associations	280	Real Estate Brokerage
160	Computer Software Development and Sales	285	Real Estate Development
165	Construction Contractors	295	Real Estate Investment Trusts
170	Continuing Care Retirement Communities	300	Reinsurance Companies
175	Credit Unions	305	Retail Trade
180	Extractive Industries—Oil and Gas	310	Savings and Loan Associations
185	Extractive Industries—Mining	315	Small Loan Companies
190	Finance Companies	320	School Districts
195	Franchisors	325	State and Local Government
200	Fire and Casualty Insurance Companies	330	Telephone Companies
205	Government Contractors	335	Utilities
210	Health Maintenance Organizations	999	Other (Describe)
216	Hospitals		
217	Nursing Homes		
222	HUD		
225	Insurance Agents and Brokers		
230	Investment Companies and Mutual Funds		
235	Leasing Companies		

[The next page is 4201.]

PRP Section 4200

Quality Control Policies and Procedures Questionnaire for Sole Practitioners With No Professional¹ Staff

.01 This section of the manual contains a questionnaire that the reviewed firm must complete prior to the commencement of the review. This questionnaire has been developed for sole practitioners with no professional staff. Completion of the questionnaire assists a firm in accumulating and organizing the information regarding its quality control system.

.02 The sole practitioner should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the policies and procedures he or she has in effect that relate to the questions asked. Where appropriate, the sole practitioner should make reference to any firm documents that describe those policies and procedures in more detail. Examples of such documents might be personnel manuals, audit and accounting manuals, a quality control document or manual, and firm forms and checklists. Lengthy and elaborate answers are not expected.

.03 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. **The reviewed firm should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

.04 In the questionnaire there are a number of questions that refer to Private Companies Practice Section (PCPS) member firms. If the reviewed firm is not a member of the PCPS, these questions should be marked "N/A." If the reviewed firm has any SEC engagements, and is not a member of the SECPS, it is required to join the SECPS and should contact the AICPA for guidance.

Firm

Prepared By

Date

¹ The term "professional" refers to all personnel who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2, par. 3, footnote 4).

.05

AICPA Peer Review Program

**QUALITY CONTROL POLICIES AND PROCEDURES QUESTIONNAIRE
FOR SOLE PRACTITIONERS WITH NO PROFESSIONAL² STAFF**

This questionnaire provides the reviewer with basic information. It is not necessarily a checklist of all the policies and procedures that might be applicable to a practice. A sole practitioner about to be reviewed should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where requested, the policies and procedures he or she has in effect that relate to the questions asked. If necessary, additional pages should be added. Where appropriate, make reference to any documents that describe those policies and procedures in more detail. Examples of such documents might be audit and accounting manuals and forms and checklists used in the practice.

	Yes	No	N/A	Comments
A. Independence, Integrity, and Objectivity <i>The sole practitioner will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statute, and other regulatory agencies where applicable.</i>				
1. Do you have a current edition of the AICPA <i>Professional Standards</i> which contains the profession's interpretations related to potential issues or situations related to independence, integrity, and objectivity? If "no," describe how you obtain reasonable assurance that you are aware of the applicable independence, integrity and objectivity rules. _____ _____ _____ _____ _____				
2. Do you review relevant pronouncements related to independence, integrity, and objectivity in the <i>Journal of Accountancy</i> and retain copies of them? If "no," describe how you remain current. _____ _____ _____ _____ _____				
3. Do you document your independence on each engagement on a program step and require each per diem personnel to do the same? If "no," describe how independence is monitored. _____ _____ _____ _____ _____				

² See footnote 1.

	Yes	No	N/A	Comments
<p>4. Do you review unpaid fees from clients to ascertain whether any outstanding amounts impair the firm's independence? If "no," describe how this is determined. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>5. If you use per diem personnel, are they made aware that the following financial or other relationships may be prohibited:</p> <p>a. Business relationships with clients or with non-clients that have investor or investee relationships with clients?</p> <p>b. Loans from client financial institutions?</p> <p>c. Family members in director, officer, manager or audit sensitive positions with client entities, including not-for-profit organizations?</p> <p>d. Past-due fees for professional services?</p> <p>e. Accounting or advisory services that have evolved into situations where the CPA has assumed some of the responsibilities of management?</p> <p>f. Bookkeeping services to SEC clients?</p> <p>Describe any potential conflicts. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>The sole practitioner, when acting as principal auditor, will confirm the independence of another firm performing parts of an engagement.</i></p>				
<p>6. Do you have any engagements where you act as principal auditor or accountant and another firm of CPAs is engaged to perform segments of the engagement? If "yes,"—</p> <p>a. Describe how you confirm the independence of such other firm(s). The description should include the form and content of the confirmation.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>b. Do you confirm the independence of such other firm(s) for each reporting engagement? If "no," describe how often the confirmation is obtained. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>B. Personnel Management</p> <p><i>The sole practitioner will maintain the degree of technical training and proficiency required in the circumstances.</i></p>				
<p>1. Do you evaluate the knowledge and expertise required to perform an engagement prior to accepting the engagement? If "no," describe how you determine that you can complete the engagement competently. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>2. If you use per diem personnel, have you set criteria which the personnel must meet in order to perform engagements competently? If "no," describe how you determine if per a diem personnel is capable of performing an engagement. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>The sole practitioner will participate in general and industry-specific continuing professional education and professional development activities that enable him or her to satisfy responsibilities and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p>				
<p>3. Do you develop a professional development program considering the requirements of the AICPA and state boards of accountancy? If "no," describe how you maintain appropriate professional competency and compliance with AICPA, state boards, and other regulatory agencies' CPE requirements. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>4. Are you and, if applicable, per diem personnel in compliance with the professional education requirements of the board(s) of accountancy in state(s) where licensed, the AICPA (if applicable), the state CPA society (if applicable), the Private Companies Practice Section (if applicable), and <i>Government Auditing Standards</i>—the "Yellow Book" (if applicable)? If "no,"—</p> <p>a. Explain instances of noncompliance. _____ _____ _____ _____ _____</p> <p>b. Attach a list of those personnel who are not in compliance and indicate the firm's plan for correcting the situation. _____ _____ _____ _____ _____</p>				
<p>5. Do you—</p> <p>a. Participate in external professional development programs? If "yes," describe. _____ _____ _____ _____ _____</p> <p>b. Participate in any professional organizations? If "yes," describe. _____ _____ _____ _____ _____</p> <p>c. Serve on professional committees or write professional publications? If "yes," describe. _____ _____ _____ _____ _____</p> <p>d. Consider changes to professional standards when determining professional development programs?</p>				

	Yes	No	N/A	Comments
<p>6. Do you receive professional publications that keep you abreast of changes in accounting and auditing standards and any client industry-specific pronouncements? If "no," describe how you keep current with changes. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>C. Acceptance and Continuance of Clients and Engagements</p> <p><i>The sole practitioner will evaluate factors that have a bearing on management's integrity.</i></p>				
<p>1. Do you obtain the following information before accepting or continuing a client:</p> <p>a. Information regarding the client and its operations from sources such as prior-year reports, interim financial information, reports to regulatory agencies, enforcement actions by regulators, income tax returns, internally generated financial statements, credit reports, and for SEC registrants registration statements, Forms 10-K, Forms 8-K?</p> <p>b. The nature and purpose of the services to be provided to the client by making inquiries of client management?</p> <p>c. Information regarding the client and its management by making inquiries of third parties such as bankers, legal counsel, underwriters, and other members of the financial or business community who may have appropriate knowledge?</p>				
<p>2. Do you document your communications with predecessor accountants, including inquiries regarding the nature of any disagreements and other events required to be reported on Form 8-K, and whether evidence of "opinion shopping" exists?</p>				
<p>3. Do you evaluate the information obtained regarding management's integrity?</p>				
<p>4. If "no" to questions 1, 2, or 3 above, briefly describe the procedures you perform in making acceptance and continuance of clients decisions, including the information obtained and considered. Also, describe</p>				

	Yes	No	N/A	Comments
any variations in those procedures based on factors such as the nature and size of the engagement and prior experience with the client. _____ _____ _____ _____				
<i>The sole practitioner will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.</i>				
5. Do you consider conditions that require evaluation of a specific client or engagement, obtaining relevant information to determine whether the relationship should be continued, and establishing a specific time period to make that evaluation?				
a. If "yes," do the conditions include—				
i. Significant changes in the client (such as change in ownership, senior personnel, directors, nature of business, or financial stability)?				
ii. Clients delinquent in paying fees?				
iii. Engagements in specialized industries?				
iv. Engagements where there are burdensome number of hours required to complete the engagement?				
v. Engagements for entities in the development stage?				
b. If "no," describe how you obtain assurance that you are not continuing a relationship which should be discontinued. _____ _____ _____ _____ _____				
6. Did you consider discontinuing any audit and accounting client relationships during the year under review but decide to continue? If "yes," explain. _____ _____ _____ _____ _____				

	Yes	No	N/A	Comments
<i>The sole practitioner will obtain an understanding with the client regarding services to be performed.</i>				
7. Do you adhere to all requirements set forth in professional standards regarding obtaining an understanding with the client?				
8. Do you document your understanding with the client regarding the services to be performed by either obtaining an engagement letter for all engagements, thus minimizing the risk of misunderstandings regarding the nature, scope, and limitation of the services to be performed or documenting the understanding in a memorandum? If "no," describe how you obtain assurance that your understanding is in agreement with the client's understanding of the work to be performed. _____ _____ _____ _____ _____				
D. Engagement Performance				
<i>The sole practitioner will plan engagements to meet professional and the firm's requirements.</i>				
1. Do your planning procedures include—				
a. Developing or updating background information on the client and the engagement?				
b. Obtaining an understanding of the engagement by use of an engagement letter or documentation in the working papers?				
c. Reviewing prior financial statements and accountant/auditor's report?				
d. Using work programs?				
<i>The sole practitioner will perform, supervise, review, document, and communicate in accordance with the requirements of professional standards and the firm.</i>				
2. Do you use purchased practice aids in the performance of engagements? If "no," describe what you use. _____ _____ _____ _____ _____				

	Yes	No	N/A	Comments
<p>3. Do you prepare working papers and checklists to document the work performed on engagements? If "no," describe how you determine that appropriate work has been performed to justify the opinion expressed. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>4. Do you require documentation of—</p> <p>a. Consideration of internal control structure in planning and performing the engagement?</p> <p>b. Assessment of control risk?</p> <p>c. Consideration of audit risk and materiality when planning and performing an audit?</p> <p>d. Audit sampling techniques?</p> <p>e. Consideration of fraud in the financial statement audit?</p> <p>f. Conduct of and degree of reliance placed on analytical procedures?</p>				
<p>5. If you use per diem personnel, do you review and initial all working papers prepared by them? If "no," describe how the review is documented. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>6. Do you use other accounting firms for audit or accounting engagements? If "yes," describe the form in which instructions are given to the other firms and the extent to which their work is reviewed, or indicate where your procedures for the supervision and control of that work is found. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>The sole practitioner will identify areas and specialized situations where consultation is required and will refer to authoritative literature and practice aids and will consult, on a timely basis, with individuals outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				

	Yes	No	N/A	Comments
<p>7. Do you maintain appropriate up-to-date technical reference materials? If "no," describe how you determine that appropriate technical standards are followed. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>8. Do you consult based on the following factors:</p> <p>a. The materiality of the matter?</p> <p>b. Your experience in a particular industry or functional area?</p> <p>c. Whether generally accepted accounting principles or generally accepted auditing standards in the area—</p> <p>i. Are based on authoritative pronouncements that are subject to varying interpretations?</p> <p>ii. Are based on varied interpretations of prevailing practice?</p> <p>iii. Have yet to be developed?</p> <p>iv. Are under active consideration by an authoritative body?</p> <p>v. Have not previously been interpreted by the firm (for example, in connection with another engagement)?</p>				
<p>9. Do you consult with outside parties, such as the AICPA Technical Hotline or another CPA qualified in the area, when a technical question arises? If "no," describe how technical questions are resolved. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>10. Do you document consultations, including all of the relevant facts and circumstances and references to professional literature?</p> <p>a. If "yes," describe where this documentation is maintained. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

b. If "no," describe how you justify conclusions.

E. Monitoring

The sole practitioner will consider and evaluate, on an ongoing basis, the relevance and adequacy of quality control policies and procedures.

1. Do you revise your policies and procedures that are ineffective due to changes in professional standards?

2. Do you improve your compliance, as needed, with your policies and procedures?

The sole practitioner will consider and evaluate, on an ongoing basis, the appropriateness of guidance materials and any practice aids.

3. Do you review your practice aids to determine that they are up-to-date on a regular basis? If "yes," describe how often. _____

The sole practitioner will consider and evaluate, on an ongoing basis, the effectiveness of professional development activities.

4. Do you review your CPE records to determine that the courses you have taken are appropriate considering your firm's practice?

5. Do you review your CPE records to determine compliance with the requirements of the AICPA and other regulatory bodies?

The sole practitioner will consider and evaluate, on an ongoing basis, compliance with policies and procedures.

6. Do you perform a timely postissuance review of selected engagements?

7. Do you summarize the findings noted on the postissuance reviews?

8. Do you place additional emphasis on deficient areas in future engagements?

Yes	No	N/A	Comments
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	Yes	No	N/A	Comments
9. Do you determine if existing policies and procedures should be modified so any deficiencies noted do not recur?				
10. Do you, on an on-going basis, review your compliance with your policies and procedures for independence, integrity and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				

[The next page is 4301.]

PRP Section 4300

Quality Control Policies and Procedures Questionnaire for Firms With Two or More Professional¹ Staff

.01 This section of the manual contains a questionnaire that the reviewed firm must complete prior to the commencement of the review. The questionnaire has been developed for firms with two or more professional staff. Completion of the questionnaire assists a firm in accumulating and organizing the information regarding its quality control system.

.02 The reviewed firm should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the policies and procedures it has in effect that relate to the questions asked. Where appropriate, the firm should make reference to any firm documents that describe those policies and procedures in more detail. Examples of such documents might be personnel manuals, audit and accounting manuals, a quality control document or manual, and firm forms and checklists. Lengthy and elaborate answers are not expected.

.03 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. The reviewed firm should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system. As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

.04 In the questionnaire, there are a number of questions that refer to the Private Companies Practice Section (PCPS) member firms. If the reviewed firm is not a member of the PCPS, these questions should be marked "N/A." If the reviewed firm has any SEC engagements, and is not a member of the SECPS, it is required to join the SECPS and should contact the AICPA for guidance.

Firm

Prepared By

Date

¹ The term "professional" refers to all personnel who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2, par. 3, footnote 4).

.05

AICPA Peer Review Program

**QUALITY CONTROL POLICIES AND PROCEDURES QUESTIONNAIRE
FOR FIRMS WITH TWO OR MORE PROFESSIONAL² STAFF**

This questionnaire provides the reviewer with basic information. It is not necessarily a checklist of all the policies and procedures that might be applicable to a practice. A firm about to be reviewed should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where requested, the policies and procedures it has in effect that relate to the questions asked. If necessary additional pages should be added. Where appropriate, make reference to any documents that describe those policies and procedures in more detail. Examples of such documents might be audit and accounting manuals and forms and checklists used in the practice.

	Yes	No	N/A	Comments
A. Independence, Integrity, and Objectivity				
<i>Personnel will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statute, and other regulatory agencies where applicable.</i>				
1. Does the firm have policies and procedures that contain the firm's interpretations of professional and regulatory requirements and guidance for resolving potential issues or situations related to its independence, integrity, and objectivity?				
a. If "yes," are they documented?				
b. If "no," describe how the firm obtains reasonable assurance that its personnel comply with the independence, integrity, and objectivity rules. _____				

2. Does the firm have an individual who is responsible for providing guidance, answering questions, monitoring compliance, and resolving matters with respect to independence, integrity, and objectivity?				
a. If "yes," identify. _____				

b. If "no," describe how the firm handles these matters. _____				

² See footnote 1.

	Yes	No	N/A	Comments
3. In connection with the resolution of independence, integrity, and objectivity questions,—				
a. Are there circumstances which would ordinarily cause the firm to document the resolution to such questions?				
i. If "yes," briefly describe and indicate where the documentation is maintained (for example, the working paper files or other specific firm or client files). _____				

ii. If "no," describe how the firm determines compliance with professional standards for independence, integrity, and objectivity. _____				

b. Has the firm found it necessary within the last year to consult with individuals outside the firm on independence, integrity, or objectivity concerns? If "yes," describe. _____				

4. Does the firm obtain written representations from all professional personnel, upon hire and on an annual basis, stating whether they are familiar with and are in compliance with professional standards and the firm's policies and procedures regarding independence, integrity, and objectivity?				
a. If "yes," describe where the representations are maintained and who is responsible for maintaining them. _____				

	Yes	No	N/A	Comments
<p>b. If "no," describe how the firm monitors compliance with its independence, integrity, and objectivity policies. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>5. Does the firm review unpaid fees from clients to ascertain whether any outstanding amounts may impair the firm's independence?</p> <p>a. If "yes," describe—</p> <p>i. Who does this. _____</p> <p>_____</p> <p>ii. How often it is done. _____</p> <p>_____</p> <p>iii. Whether there have been any such situations during the year under review. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm monitors its independence with respect to clients with unpaid fees. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>Personnel will be familiar with policies and procedures relating to independence, integrity, and objectivity.</i></p>				
<p>6. Does the firm inform its personnel and per diem employees of financial or other relationships that may be prohibited?</p> <p>a. If "yes," do those relationships include—</p> <p>i. Business relationships with clients or with nonclients that have investor or investee relationships with clients?</p> <p>ii. Loans from client financial institutions?</p> <p>iii. Family members in director, officer manager, or audit sensitive positions with client entities, including not-for-profit organizations?</p> <p>iv. Past-due fees for professional services?</p>				

	Yes	No	N/A	Comments
v. Accounting or advisory services that have evolved into situations where the CPA has assumed some of the responsibilities of management?				
vi. Bookkeeping services to SEC clients? Describe any potential conflicts. _____ _____ _____ _____ _____				
b. If "no," describe how the firm determines that its personnel are aware of prohibited relationships. _____ _____ _____ _____ _____				
7. Does the firm communicate its policies and procedures for independence, integrity, and objectivity to its personnel including per diem personnel?				
a. If "yes,"—				
i. Describe how the firm communicates its policies and procedures for independence, integrity, and objectivity to its professional personnel. _____ _____ _____ _____ _____				
ii. Do professional personnel have access to guidance materials regarding the applicable independence, integrity, and objectivity requirements (for example, through computer software that has access to databases containing professional and regulatory literature, or by subscribing to the AICPA <i>Professional Standards</i> loose-leaf service and other services pertaining to the firm's practice)? If "yes," are professional personnel encouraged to become familiar with these materials, including discussing the implications on engagements (for example, complying with <i>Statements on Standards for Accounting and Review Services</i> with respect to disclosing instances where the firm is not independent in the accountant's compilation report)?				

	Yes	No	N/A	Comments
<p>b. If "no," describe how firm personnel would obtain this information. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>8. Does the firm inform its professional personnel, including its per diem employees, on a timely basis of those entities to which independence policies apply?</p> <p>a. If "yes," does the firm prepare and maintain lists of entities for which independence applies and make those lists available to personnel who need them to determine their independence? If "no," describe how the firm informs its professional personnel. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm determines that its personnel know to which entities independence policies apply. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p><i>The firm, when acting as principal auditor, will confirm the independence of another firm performing parts of an engagement.</i></p>				
<p>9. Does the firm have any engagements where it acts as principal auditor or accountant and another firm of CPAs is engaged to perform segments of the engagement? If "yes,"—</p> <p>a. Describe how the firm confirms the independence of such other firm(s). The description should include the form and content of the confirmation. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

- b. Does the firm confirm the independence of such other firm(s) for each reporting engagement? If "no," describe how often the confirmation is obtained. _____

B. Personnel Management

Personnel who are hired will possess the appropriate characteristics to enable them to perform competently.

1. Does the firm have an individual who is responsible for the firm's hiring, including evaluation of personnel needs, establishment of hiring objectives and providing final approval?

a. If "yes," identify. _____

b. If "no," describe—

i. How this is accomplished. _____

ii. How the firm determines that it has adequate staff to perform its professional engagements. _____

2. Does the firm have hiring criteria?

a. If "yes," briefly describe—

i. The attributes, achievements, and experiences desired in entry-level and experienced personnel to enable them to perform completely within the firm. Highlight any items which represent requirements for hire. _____

Yes No N/A Comments

	Yes	No	N/A	Comments
ii. How the firm evaluates the personal characteristics such as integrity, competence, and motivation of new hires. _____ _____ _____ _____ _____				
iii. Any additional information the firm requires for experienced hires, such as background checks, and inquiries about any outstanding regulatory actions. _____ _____ _____ _____ _____				
b. If "no," describe how the firm determines that the personnel hired are appropriate for the position they are hired to fill. _____ _____ _____ _____ _____				
3. Does the firm have criteria for determining which individuals will be involved in the interviewing and hiring process?				
a. If "yes," describe how the individuals are trained. _____ _____ _____ _____ _____				
b. If "no," describe how the firm determines who is appropriate for this role. _____ _____ _____ _____ _____				
<i>The firm will make personnel assignments based on the degree of technical training and proficiency required in the circumstances and the nature and extent of supervision to be provided.</i>				
4. Does the firm have policies and procedures to ensure personnel assigned to engagements have the				

	Yes	No	N/A	Comments
degree of technical training and proficiency required in the circumstances considering the nature and extent of supervision to be provided?				
a. If "yes," describe—				
i. Who is responsible for the assignment of personnel to engagements, including high-risk engagements and industries. _____				
ii. What factors are used to determine how personnel are assigned to engagements (for example, engagement size and complexity, specialized experience or expertise required, timing of the work to be performed, continuity and rotation of personnel, opportunities for on-the-job training, situations where independence or objectivity concerns exist). _____				

b. If "no," describe how the firm determines that the personnel assigned to engagements are qualified to perform the engagements. _____				

<i>Personnel will participate in general and industry-specific continuing professional education and other professional development activities that enable them to satisfy responsibilities assigned and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i>				
5. Does the firm have an individual who is responsible for the firm's CPE and professional development activities?				
a. If "yes," identify. _____				

b. If "no," describe how the firm monitors its CPE and professional development activities. _____				

	Yes	No	N/A	Comments
6. Do personnel assigned to audit and accounting engagements take courses related to those engagements?				
a. Provide an approximation of the type of CPE taken.				
Self-study courses _____%				
In house-training program				
(I) Developed by the firm _____%				
(II) Obtained from outside vendors _____%				
State society or AICPA programs _____%				
Other programs _____%				
b. Describe how the firm assures personnel participate in CPE related to accounting and auditing assignments, including specialized industries.				

7. Are all personnel in compliance with the professional education requirements of the board(s) of accountancy in state(s) where they are licensed, the AICPA (if applicable), the state CPA society (if applicable), the Private Companies Practice Section (if applicable), and <i>Government Auditing Standards</i> —the "Yellow Book" (if applicable)? If "no,"—				
a. Explain instances of noncompliance. _____				

b. Attach a list of those personnel who are not in compliance and indicate the firm's plan for correcting the situation. _____				

8. Does the firm have an individual who maintains CPE records and course materials?				
a. If "yes," identify. _____				

	Yes	No	N/A	Comments
<p>b. If "no," describe how the firm determines that all personnel are in compliance with applicable CPE requirements. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>9. Does the firm have an orientation and training policy for new hires?</p> <p>a. If "yes," briefly describe the policy. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm trains new hires.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>10. Does the firm inform personnel of changes in accounting and auditing standards, independence, integrity, and objectivity requirements and the firm's technical policies and procedures with respect to them (for example, by distributing technical pronouncements and holding training courses on recent changes and areas noted by the firm as needing improvement)?</p> <p>a. If "yes," briefly describe. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how the firm determines that personnel are informed of changes in professional standards. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>11. Does the firm encourage personnel to participate in other professional development activities, such as graduate level courses, membership in professional</p>				

iii. Development of the evaluation form for each professional classification. _____

[illegible]

	Yes	No	N/A	Comments
<p>b. If "no," describe how these decisions are made and implemented. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>14. Does the firm periodically evaluate the performance of personnel and advise them of their progress in the firm?</p> <p>a. If "yes,"—</p> <p>i. Describe who is responsible for performing the evaluation. _____</p> <p>_____</p> <p>ii. Describe how often the evaluations are performed. _____</p> <p>_____</p> <p>iii. Are standard evaluation forms used? If "no," briefly describe whether they are documented by another means. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how firm personnel are informed of their performance and progress in the firm. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>15. Does the firm counsel personnel regarding their progress and career opportunities by—</p> <p>a. Reviewing performance evaluations with personnel, discussing future objectives of the firm and the individual, and assignment preferences?</p> <p>b. Periodically evaluating owners (for example, by means of peer evaluation, or self-appraisal)?</p>				

C. Acceptance and Continuance of Clients and Engagements

The firm will evaluate factors that have a bearing on management's integrity.

1. Does the firm have documented policies and procedures for accepting prospective clients and the continuance of current clients?

a. If "yes,"—

- i. Describe where the documentation is located. _____

- ii. Does the firm's policies and procedures include obtaining and evaluating—

- (a) Information regarding the client and its operations from sources such as annual reports, interim financial information, reports to regulatory agencies, enforcement actions by regulators, income tax returns and for SEC registrants registration statements, Forms 10-K, Forms 8-K?
- (b) The nature and purpose of the services to be provided to the client by making inquiries of client management?
- (c) Information regarding the client and its management by making inquiries of third parties such as bankers, legal counsel, underwriters, and other members of the financial or business community who may have appropriate knowledge?

- b. If "no," describe the procedures the firm performs in making acceptance and continuance of clients decisions, including the information obtained and considered. Also, describe any variations in those procedures based on factors such as the nature and size of the engagement and prior experience with the client. _____

2. Does the firm document its communication with predecessor accountants, including inquiries regarding the nature of any disagreements and other

Yes No N/A Comments

	Yes	No	N/A	Comments
events required to be reported on Form 8-K, and whether evidence of "opinion shopping" exists?				
a. If "yes," where is the documentation maintained. _____				
b. If "no," describe how the firm documents compliance with SAS No. 7. _____				
3. Does the firm's policies and procedures require information be obtained regarding management's integrity? If "no," describe how the firm determines that management's integrity is appropriate. _____				
4. Does the firm inform personnel of its acceptance and continuance of clients policies and procedures?				
a. If "yes," briefly describe how they are informed. _____				
b. If "no," describe how personnel know what policies and procedures should be followed for accepting and continuing clients. _____				
<i>The firm will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.</i>				
5. Does the firm evaluate whether it has obtained or can reasonably expect to obtain the knowledge and expertise necessary to perform the engagement?				

	Yes	No	N/A	Comments
a. If "yes," describe how this decision is reached and whether it is documented. _____ _____ _____ _____ _____				
b. If "no," describe how the firm determines that it can perform engagements. _____ _____ _____ _____ _____				
6. Does the firm specify conditions that require evaluation of a specific client or engagement, obtaining relevant information to determine whether the relationship should be continued, and establishing a specific time period to make that evaluation?				
a. If "yes," do the conditions include—				
i. Significant changes in the client (such as change in ownership, senior personnel, directors, advisors, nature of business, or financial stability)?				
ii. Changes in the nature or scope of the engagement, including requests for additional services?				
iii. Changes in the strategic focus or composition of the firm (such as the inability to replace the loss of key personnel or the decision to discontinue services to clients in a particular industry)?				
iv. The existence of conditions that would have caused the firm to reject the client or engagement had such conditions existed at the time of the initial acceptance such as unreliable processes for making accounting estimates, questionable estimates by management, questions regarding an entity's ability to continue as a going concern, and any other factors that may increase the risk of being associated with the client?				
v. Clients delinquent in paying fees?				
vi. Engagements in specialized industries?				

	Yes	No	N/A	Comments
vii. Engagements where there are a burdensome number of hours required to complete the engagement?				
viii. Engagements for entities in the development stage?				
b. If "no," describe how the firm obtains assurance that it is not continuing a relationship which should be discontinued. _____				

7. Does the firm designate individuals to evaluate and make a recommendation as to whether a client or engagement should be accepted or continued?				
a. If "yes," do the individuals—				
i. Evaluate all the information obtained about the client or engagement and make a recommendation about whether the client or engagement should be accepted or continued?				
ii. Document the decision and have an individual at an appropriate level approve the decision?				
b. If "no," describe how the decision to accept or continue a client or engagement is made. _____				

8. Did the firm consider discontinuing any audit and accounting client relationships during the year under review but decide to continue? If "yes," explain.				

<i>The firm will obtain an understanding with the client regarding the services to be performed.</i>				
9. Does the firm document its understanding with the client regarding the services to be performed by obtaining an engagement letter for all engagements, thus minimizing the risk of misunderstandings regarding the nature, scope, and limitation of the services to be performed? If "no," describe how the firm				

The engagement will be planned to meet professional, regulatory, and firm requirements.

- [illegible]

	Yes	No	N/A	Comments
e. Considering economic conditions affecting the client or its industry and their potential impacts on the conduct of the engagement?				
f. Considering risks and how they may affect the procedures to be performed?				
g. Preparing a budget that allocates a sufficient amount of time so the engagement will be performed in accordance with professional standards and the firm's quality control procedures?				
<i>The engagement will be performed, supervised, reviewed, documented, and communicated in accordance with the requirements of professional standards, regulatory authorities, and the firm.</i>				
3. Does the firm's policies and procedures—				
a. Require that a written program be used on all engagements?				
i. If "yes," is someone with appropriate authority required to review and approve the program? If "yes," describe how this approval is documented? _____				

ii. If "no," describe how personnel are made aware of the procedures to be performed on engagements. _____				

b. Specify the form and content of working papers, including standardized forms, checklists, and questionnaires, that are to be used in the performance of engagements and the method by which the firm integrates such aids into engagements?				
i. If "yes," describe and attach a list and indicate whether the use of each is required or discretionary. (Note that the reviewer will want to inspect these forms during the review.) _____				

	Yes	No	N/A	Comments
ii. If "no," describe how the firm determines that the working papers, including standardized forms, checklists, and questionnaires, that are used in the performance of engagements and the method by which they are used is appropriate. _____ _____ _____ _____ _____				
c. Require documentation of—				
i. Consideration of internal control structure in planning and performing the engagement?				
ii. Assessment of control risk?				
iii. Consideration of audit risk and materiality when planning and performing an audit?				
iv. Audit sampling technique?				
v. Consideration of fraud in the financial statement audit?				
vi. Conduct of and degree of reliance placed on analytical procedures?				
If "no" to any of the above, describe how the firm determines that appropriate procedures were performed. _____ _____ _____ _____ _____				
d. Describe the steps to follow when the firm uses other offices or correspondents for audit or accounting engagements?				
i. If "yes," describe the form in which instructions are given to other offices or correspondents and the extent to which their work is reviewed, or indicate where the firm's procedures for the supervision and control of that work are found. _____ _____ _____ _____				

	Yes	No	N/A	Comments
ii. If "no," describe how the firm determines that the work performed was appropriate. _____ _____ _____ _____				
e. Specify the extent of engagement review so that the financial statements, communications with management and the board of directors meet professional and firm presentation and disclosure standards? If "no," describe how the firm determines that an appropriate review was performed and that communications were in accordance with firm and professional standards. _____ _____ _____ _____				
4. Does the firm's policies and procedures assign responsibility for review of all reports, financial statements, and working papers to a reviewer who is senior (when possible) to the preparer?				
a. If "yes," is that review designed to obtain reasonable assurance that—				
i. The procedures performed are consistent with engagement planning and that exceptions are appropriately investigated?				
ii. The appropriateness of planned procedures were reconsidered when significant changes in risk factors were identified during the engagement?				
iii. Firm-prescribed forms, checklists, questionnaires, and purchased practice aids (as applicable) were used in performing and reporting on the engagement?				
b. If "no," describe how the firm obtains assurance that reports, financial statements, and working papers are appropriate. _____ _____ _____ _____ _____				
5. Does the firm require that an owner of the firm be assigned as the person ultimately responsible for each engagement (certain standards may require				

	Yes	No	N/A	Comments
owner responsibility)? If "no," describe who is responsible for the final approval for issuing the accountant's/auditor's report. _____ _____				
6. Does the firm require a second review of reports, financial statements, and selected working papers by a partner or manager having no other significant responsibility for the engagement? If "yes," indicate who performs such second reviews and briefly describe the extent of the review and how the review is documented, indicating the types of engagements to which the procedures are applicable. _____ _____ _____ _____ _____				
7. Does the firm's policies and procedures regarding review of reports, financial statements, working papers, and for documentation of the review process ensure that— a. All reviewers have appropriate experience, competence and responsibility? b. All engagements performed comply with professional standards and firm policy? c. Appropriate documentation is required on all engagements evidencing review of reports, financial statements, and working papers?				
8. Does the firm have policies and procedures for personnel to follow to resolve differences of professional judgment within an engagement team (see AICPA, <i>Professional Standards</i> , vol. 1, AU sec. 311.14)? a. If "yes,"— i. Are they documented? If "yes," describe where. _____ _____ _____ ii. Do they identify who is responsible for resolving such matters? If "yes," identify. _____ _____ iii. Do those procedures allow an assistant to document his or her disagreement with the conclusion reached?				

	Yes	No	N/A	Comments
<p>b. If "no," describe how firm personnel know what procedures to follow in the event of a difference in professional judgment. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>9. Has the firm merged with any other firm since the date of its last peer review or in the last three years? If "yes,"—</p> <p>a. Did the firm acquire any personnel in the merger?</p> <p>b. Did the firm acquire and retain any new offices in the merger? If "yes," indicate the locations of any such offices. _____</p> <p>_____</p> <p>_____</p> <p>c. Have the personnel of the acquired firm adopted the firm's quality control policies and procedures? If "no," briefly describe on a separate page the plan for integrating the acquired firm.</p> <p><i>The firm will identify areas and specialized situations where consultation is required and will require personnel to refer to authoritative literature and practice aids and to consult, on a timely basis, with individuals within or outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
<p>10. Does the firm inform personnel of its consultation policies and procedures?</p> <p>a. If "yes," briefly describe how they are informed.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>b. If "no," describe how personnel are made aware of what procedures to follow when they encounter areas or situations where consultation is required. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
11. Does the firm require the person ultimately responsible for the engagement to determine the need to consult?				
a. If "yes," is that determination based on—				
i. The materiality of the matter?				
ii. The experience of senior engagement personnel in a particular industry or functional area?				
iii. Whether generally accepted accounting principles or generally accepted auditing standards in the area—				
(a) Are based on authoritative pronouncements that are subject to varying interpretations?				
(b) Are based on varied interpretations of prevailing practice?				
(c) Have yet to be developed?				
(d) Are under active consideration by an authoritative body?				
(e) Have not previously been interpreted by the firm (for example, in connection with another engagement)?				
b. If "no," describe who determines the need to consult. _____				
12. Does the firm identify circumstances, including specialized situations, when firm personnel are expected to consult?				
a. If "yes," do those circumstances include—				
i. Application of newly issued technical pronouncements?				
ii. Industries with special accounting, auditing, or reporting requirements?				
iii. Emerging practice problems?				
iv. Choices among alternative generally accepted accounting principles upon initial adoption or when an accounting change is made?				
v. Reissuance of a report, consideration of omitted procedures after a report has been issued, or subsequent discovery of facts that existed at the time a report was issued?				

	Yes	No	N/A	Comments
vi. Filing requirements of regulatory agencies?				
vii. Meetings with the SEC and other regulators, at which the firm is to be called on to support the applications of generally accepted accounting principles which have been questioned?				
b. If "no," describe how personnel are informed of situations when they should consult. _____				

13. Does the firm designate individuals within and outside the firm as consultants in certain areas?				
a. If "yes,"—				
i. Attach a list of the individuals designated as consultants and what their specialties are and indicate how personnel have been made aware of this information.				
ii. Describe how differences of opinion between engagement personnel and specialists are resolved. _____				

iii. Describe how the firm determines when to consult with outside parties and with whom to consult. _____				

iv. During the year under review, has the firm sought advice from outside parties to resolve questions involving professional standards or specialized industry practices? If "yes," describe. _____				

	Yes	No	N/A	Comments
<p>b. If "no," describe how personnel are made aware of whom they should consult. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>14. Does the firm maintain or provide its personnel access to adequate and up-to-date reference materials which includes materials related to the clients it serves?</p> <p>a. If "yes," do those materials include—</p> <p>i. AICPA <i>Professional Standards</i>?</p> <p>ii. AICPA industry audit guides relevant to the firm's practice?</p> <p>iii. FASB pronouncements?</p> <p>iv. GASB pronouncements, <i>Government Auditing Standards</i> (the "Yellow Book"), and other government audit guides relevant to the firm's practice?</p> <p>v. SEC pronouncements?</p> <p>b. If "no," describe how personnel are kept aware of current professional standards related to the firm's clients. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>15. Does the firm require documentation of consultation?</p> <p>a. If "yes," does that documentation include—</p> <p>i. All relevant facts and circumstances?</p> <p>ii. References to professional literature used in the determination?</p> <p>iii. Conclusions reached?</p> <p>iv. Signatures of engagement partner and consultant?</p> <p>v. Reference to the engagement working papers?</p> <p>b. If "no," describe how the firm justifies the position taken on the consultation. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				

	Yes	No	N/A	Comments
<p>16. Does the firm have guidance regarding reports on the application of accounting principles under SAS No. 50? If "yes," has that guidance been communicated to personnel?</p> <p>Indicate whether the firm issued any such reports during the year under review. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>E. Monitoring</p> <p><i>The firm will consider and evaluate, on an ongoing basis, the relevance and adequacy of its quality control policies and procedures.</i></p>				
<p>1. Does the firm have a partner or a manager-level individual who is responsible for its quality assurance?</p> <p>a. If "yes," identify. _____</p> <p>b. If "no," describe how the firm determines that its quality control policies and procedures are adequate. _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>2. Does the firm consider the following quality assurance matters:</p> <p>a. The need to review the relevance and adequacy of the firm's audit methodology for the following factors:</p> <p>i. Mergers and divestitures of portions of the practice?</p> <p>ii. Changes in professional standards and SEC or other regulatory requirements applicable to the firm's practice?</p> <p>iii. Results of annual inspections and peer reviews?</p> <p>iv. Review of litigation and regulatory enforcement actions against the firm and others?</p>				

	Yes	No	N/A	Comments
v. The impact that changes in technology may have on clients' methods of doing business?				
vi. Changes in clients' industries that impact their operations?				
vii. Changes in applicable AICPA membership requirements?				
b. The need to see whether personnel have been appropriately informed of their responsibilities for maintaining the firm's standards of quality in performing their duties?				
c. The need to check the compliance, effectiveness, and appropriateness of the other elements of quality control in the firm's practice?				
<i>The firm will consider and evaluate, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i>				
3. Does the firm have policies and procedures to assure that the firm's practice aids, such as audit programs, forms, and checklists, are updated for new professional pronouncements and are effective for the firm's practice? If "no," describe how the firm determines that its practice aids are current. _____				

4. Does the firm inform and provide guidance to its personnel, including per diem employees, regarding new professional standards, regulatory requirements, and related changes to firm policy or practice aids? If "no," describe how personnel are kept current. _____				

<i>The firm will consider and evaluate, on an ongoing basis, the effectiveness of professional development programs.</i>				
5. Does the firm monitor its professional development programs?				
a. If "yes," does the firm—				
i. Evaluate training programs to determine whether they are achieving their objectives?				

	Yes	No	N/A	Comments
<ul style="list-style-type: none"> ii. Review summaries of CPE records to track individual's compliance with the requirements of the AICPA and other regulatory bodies? iii. Consider whether the firm's professional development programs should be revised based on the results of the firm's inspection or peer review? iv. Solicit information from its personnel regarding effectiveness of the firm's training programs? 				
<ul style="list-style-type: none"> b. If "no," describe how the firm determines that its professional development programs are appropriate. _____ 				
<p><i>The firm will consider and evaluate, on an ongoing basis, compliance with its policies and procedures.</i></p>				
<p>6. Does the firm perform timely inspections³ to evaluate its compliance with its policies and procedures? If "yes,"—</p> <ul style="list-style-type: none"> a. Does the firm assign responsibility for performing the inspections to a partner or manager-level individual? b. Does the firm's inspections include— <ul style="list-style-type: none"> i. Appropriate tests of compliance with the firm's policies and procedures on a sample basis? ii. Reviewing correspondence and documentation, and interviewing personnel to determine the firm's compliance with its policies and procedures regarding independence, integrity, and objectivity, personnel management, acceptance and continuation of clients, engagement performance and monitoring? iii. Reviewing a cross section of engagements considering the following criteria: <ul style="list-style-type: none"> (a) All partners and managers with significant accounting and auditing responsibilities? (b) Financial institution engagements? (c) First-year engagements? 				

³ Per SQCS No. 3, par. 7, "inspection procedures to be performed at a fixed time(s) during the year covering a specified period(s) of time or as part of ongoing quality control procedures, or a combination thereof."

	Yes	No	N/A	Comments
(d) Significant specialized industries with emphasis given to high-risk industries?				
(e) Level of service performed (that is, audit, review, compilation, and attestation engagements)?				
(f) SEC engagements?				
(g) Engagements for employee benefit plans (ERISA)?				
(h) Governmental engagements?				
c. Does the firm summarize and communicate in a timely fashion the results of the inspections and any suggested changes to the firm's policies and procedures to appropriate levels of professional personnel?				
d. Does the firm take specific corrective actions or steps based upon the results of the inspections to assure compliance with its policies and procedures? If "no," explain rationale. _____				
7. Does the firm perform pre- or postissuance reviews of selected engagements as part of its monitoring procedures? If "yes," do those procedures include—				
a. For a sufficiently comprehensive selection of engagements, designating a qualified partner or management-level individual not associated with the performance of those engagements to perform a preissuance review of the engagement reports, financial statements and working papers or postissuance review of the engagement reports, financial statements and working papers shortly after release of the report? ⁴				
b. Periodically summarizing deficiencies noted as a result of the pre- or postissuance reviews and evaluate on a timely basis whether—				
i. Additional emphasis should be placed on the specific areas or industries in future engagements?				
ii. Existing policies or procedures should be modified so any deficiencies noted do not recur?				
c. Periodically communicating to all professional personnel on a timely basis the summarized				

⁴ Per SQCS No. 3, par. 9, "In small firms with a limited number of qualified management-level individuals, postissuance review of engagement working papers, reports, and client's financial statements by the person with final responsibility for the engagement may constitute inspection procedures"

	Yes	No	N/A	Comments
deficiencies noted and the agreed upon quality control changes?				
d. Taking specific corrective actions or steps based upon the results of the pre- or postissuance reviews to assure compliance with its policies and procedures? If "no," explain rationale.				
8. Does the firm test compliance with its policies and procedures through other monitoring procedures not described in 6 and 7 above? If "yes," describe.				

[The next page is 4401.]

PRP Section 4400

Guidelines for Review of Quality Control Policies and Procedures for Sole Practitioners With No Professional¹ Staff

.01 This section of the manual contains a questionnaire that the reviewer should complete when reviewing the reviewed firm's responses to the *Quality Control Policies and Procedures Questionnaire*. This questionnaire has been developed for sole practitioners with no professional staff. Completion of this questionnaire assists the reviewer in analyzing the firm's quality control policies and procedures.

.02 The reviewer should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the results of his or her evaluation of the policies and procedures the firm has in effect. Lengthy and elaborate answers are not expected.

.03 These guidelines should *not* be used for reviews of firms with two or more professional staff. Suggested review procedures for these firms are contained elsewhere in this section.

.04 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. **The reviewer should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

Firm

Prepared By

Date

¹ The term "professional" refers to all personnel who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2, par. 3, footnote 4).

.05

AICPA Peer Review Program

GUIDELINES FOR REVIEW OF QUALITY CONTROL POLICIES AND PROCEDURES
FOR SOLE PRACTITIONERS WITH NO PROFESSIONAL² STAFF

	Yes	No	N/A	Comments, Findings Noted
A. Independence, Integrity, and Objectivity				
<i>The sole practitioner will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statutes, and other regulatory agencies where applicable.</i>				
1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the independence, integrity, and objectivity section (part A, questions 1-5) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. Did you compare the practitioner's independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? If "yes," describe any deficiencies noted.				
3. Did the practitioner have a current edition of the <i>AICPA Professional Standards</i> ?				
4. Did the practitioner have copies of any pronouncements related to independence, integrity, and objectivity from the <i>Journal of Accountancy</i> or other professional publications?				
5. Did you review the practitioner's and, if applicable, per diem personnel's documentation of independence on a sample of the engagements (indicate number _____)?				
6. Were any situations noted where the practitioner or, if applicable, per diem personnel was not independent? If "yes," did the practitioner withdraw from the engagement or appropriately qualify the report?				
7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

² See footnote 1.

	Yes	No	N/A	Comments, Findings Noted
<i>The sole practitioner, when acting as principal auditor, will confirm the independence of another firm performing parts of an engagement.</i>				
8. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the independence, integrity, and objectivity section (part A, question 6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
9. If part of any audit was performed by other auditor(s), did you on a test basis (indicate number _____) determine whether the practitioner made sufficient inquiries concerning the professional reputation and independence of the other auditor(s)?				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
B. Personnel Management				
<i>The sole practitioner will maintain the degree of technical training and proficiency required in the circumstances.</i>				
1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the personnel management section (part B, questions 1 and 2) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. Did the practitioner have the knowledge and expertise required to perform an engagement prior to accepting the engagement or the ability to obtain the knowledge and expertise?				
3. Did per diem personnel have the knowledge and expertise required to perform engagements assigned to them?				
4. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will participate in general and industry-specific continuing professional education and professional development activities that enable</i>				

	Yes	No	N/A	Comments, Findings Noted
<p><i>him or her to satisfy responsibilities and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p> <p>5. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the personnel management section (part B, questions 3–6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p> <p>6. Did you review the practitioner's professional development records for compliance with the requirements of the AICPA and state boards of accountancy?</p> <p>7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p>				
<p>C. Acceptance and Continuance of Clients and Engagements</p> <p><i>The sole practitioner will evaluate factors that have a bearing on management's integrity.</i></p> <p>1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 1–4) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p> <p>2. Did you select a sample of new clients and continuing clients (indicate number _____) and determine that the practitioner evaluated management's integrity and appropriately documented the evaluation?</p> <p>3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>The sole practitioner will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.</i></p>				

	Yes	No	N/A	Comments, Findings Noted
4. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 5 and 6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
5. Did you select a sample of acceptance and continuance decisions (indicate number _____) and review the appropriate documentation concerning those decisions?				
6. Did you select a sample of new engagements performed during the year (indicate number _____) and determine that the practitioner had the required expertise to perform the engagement?				
7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will obtain an understanding with the client regarding services to be performed.</i>				
8. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the acceptance and continuance of clients and engagements section (part C, questions 7 and 8) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
9. Did you select a sample of engagements (indicate number _____) and review the practitioner's understanding of the engagement to be performed?				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
D. Engagement Performance				
<i>The sole practitioner will plan engagements to meet professional and the firm's requirements.</i>				
1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the engagement performance section (part D, question 1) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				

	Yes	No	N/A	Comments, Findings Noted
<p>2. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>The sole practitioner will perform, supervise, review, document, and communicate in accordance with the requirements of professional standards and the firm.</i></p>				
<p>3. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the engagement performance section (part D, questions 2-6) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p>				
<p>4. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>The sole practitioner will identify areas and specialized situations where consultation is required and will refer to authoritative literature and practice aids and will consult, on a timely basis, with individuals outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i></p>				
<p>5. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the engagement performance section (part D, questions 7-10) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?</p>				
<p>6. Did you review the practitioner's reference materials and determine that they were up-to-date?</p>				
<p>7. If the practitioner uses quality control materials (for example, an audit and accounting manual or standardized forms, checklists, and questionnaires) developed internally or by some third party, were the materials suitably designed? (The reviewer may wish to obtain the most recent peer review report on the review of the design of the third party materials.)</p>				
<p>8. Did you determine whether any standardized forms, checklists—especially, financial disclosure checklists—or questionnaires are appropriate and, if the use of any is discretionary, appropriate for the practitioner?</p>				

	Yes	No	N/A	Comments, Findings Noted
9. Was the practitioner's procedures for review of the engagement reports, financial statements, and working papers appropriate?				
10. Did you select a sample of consultations with outside parties (indicate number _____) and determine that—				
a. All relevant facts and circumstances appear to have been provided to the party or parties consulted? If "no," explain.				
b. The advice given appears reasonable based on the relevant facts and circumstances and consistent with professional standards? If "no," explain.				
c. The practitioner acted in a manner consistent with professional standards and with his or her policies and procedures? If "no," explain.				
d. The extent of required consultations were comprehensive enough for the practitioner?				
11. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
E. Monitoring				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the relevance and adequacy of quality control policies and procedures.</i>				
1. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the monitoring section (part E, questions 1 and 2) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
2. If anything occurred that would affect the practitioner's quality control policies and procedures were the necessary changes made?				
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the appropriateness of guidance materials and any practice aids.</i>				

	Yes	No	N/A	Comments, Findings Noted
4. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the monitoring section (part E, question 3) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
5. Did the practitioner review the practice aids to determine that they are up-to-date?				
6. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, the effectiveness of professional development activities.</i>				
7. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the monitoring section (part E, questions 4 and 5) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
8. Did you review the practitioner's CPE records and determine that the courses taken were appropriate considering the practitioner's practice?				
9. Did you review the actions taken by the practitioner when there is noncompliance with the CPE requirements of the AICPA and other regulatory bodies?				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The sole practitioner will consider and evaluate, on an ongoing basis, compliance with policies and procedures.</i>				
11. Did you obtain an understanding of the practitioner's policies and procedures by a review of the responses to the monitoring section (part E, questions 6–10) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the practitioner?				
12. Did you review the practitioner's postissuance review of selected engagements?				
13. Did you review the summarization of the findings noted on the postissuance reviews?				

	Yes	No	N/A	Comments, Findings Noted
14. Did you review changes made to the practitioner's policies and procedures due to deficiencies noted on the postissuance reviews?				
15. Did you review the practitioner's evaluation of his or her policies and procedures for independence, integrity, and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
16. Did you review the practitioner's summarization of compliance with his or her policies and procedures for independence, integrity, and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
17. Did you review changes made to the practitioner's policies and procedures due to deficiencies noted during the practitioner's review of his or her policies and procedures for independence, integrity, and objectivity, personnel management, acceptance and continuance of clients and engagements, and engagement performance?				
18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

[The next page is 4501.]

PRP Section 4500

Guidelines for Review of Quality Control Policies and Procedures for Firms With Two or More Professional¹ Staff

.01 This section of the manual contains a questionnaire that the reviewer should complete when reviewing the reviewed firm's responses to the *Quality Control Policies and Procedures Questionnaire*. This questionnaire has been developed for firms with two or more professional staff. Completion of this questionnaire assists the reviewer in analyzing the firm's quality control policies and procedures.

.02 The reviewer should respond directly with "Yes," "No," or "N/A" answers and briefly describe, where appropriate, the results of his or her evaluation of the policies and procedures the firm has in effect. Lengthy and elaborate answers are not expected.

.03 These guidelines should *not* be used for reviews of sole practitioners with no professional staff. Suggested review procedures for these firms are contained elsewhere in this section.

.04 This questionnaire was developed from the AICPA *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice*. **The reviewer should be aware that each question does not relate to explicit requirements of professional standards; the questionnaire was prepared based on a model of suggested policies and procedures that firms are encouraged to consider in designing and maintaining a quality control system.** As such, a "No" answer to a question does not necessarily indicate a problem with the firm's system of quality control. A firm's policies and procedures should be sufficient for it to obtain reasonable assurance of complying with professional standards.

Firm

Prepared By

Date

¹ The term "professional" refers to all personnel who perform professional services for which the firm is responsible, whether or not they are CPAs (SQCS No. 2, par. 3, footnote 4).

.05

AICPA Peer Review Program

GUIDELINES FOR REVIEW OF QUALITY CONTROL POLICIES AND PROCEDURES
FOR FIRMS WITH TWO OR MORE PROFESSIONAL² STAFF

	Yes	No	N/A	Comments, Findings Noted
A. Independence, Integrity, and Objectivity				
<i>Personnel will adhere to applicable independence, integrity, and objectivity requirements. These requirements include regulations, interpretations, and rulings of the AICPA, state CPA societies, state boards of accountancy, state statutes, and other regulatory agencies where applicable.</i>				
1. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the independence, integrity, and objectivity section (part A, questions 1-5) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
2. Did you compare the firm's independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? If "yes," describe any deficiencies noted.				
3. Were any situations noted where the firm is not independent? If "yes," did the firm withdraw from the audit or accounting engagement or appropriately qualify its report?				
4. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>Personnel will be familiar with policies and procedures relating to independence, integrity, and objectivity.</i>				
5. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the independence, integrity, and objectivity section (part A, questions 6-8) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
6. Were the procedures the firm follows to provide reasonable assurance that new or revised rules, interpretations, or rulings on independence, integrity, and objectivity matters considered appropriate in its practice?				

² See footnote 1.

	Yes	No	N/A	Comments, Findings Noted
7. Did you select a sample of situations in which independence, integrity, and objectivity questions arose during the year being reviewed (indicate number _____) and consider whether the resolution of such questions appears appropriate?				
8. Did you select a sample of professional personnel, including per diem employees, (indicate number _____) and review the written representations obtained by the firm regarding independence, integrity, and objectivity, if required by firm policy?				
9. Did you interview selected staff (indicate number _____), review appropriate documentation, and determine that the firm has advised all professional personnel, including per diem employees, on a timely basis about entities to which the independence rules apply and that professional personnel are familiar with the firm's independence, integrity, and objectivity policies and procedures? (See separate interview guidelines.)				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm, when acting as principal auditor, will confirm the independence of another firm performing parts of an engagement.</i>				
11. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the independence, integrity, and objectivity section (part A, question 9) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
12. Did you compare the firm's independence, integrity, and objectivity policies and procedures with professional and regulatory requirements? If "yes," describe any deficiencies noted.				
13. If part of any audit was performed by other auditor(s), did you on a test basis (indicate number _____) determine whether the firm made sufficient inquiries concerning the professional reputation and independence of the other auditor(s)?				
14. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

B. Personnel Management

Personnel who are hired will possess the appropriate characteristics to enable them to perform competently.

1. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the personnel management section (part B, questions 1-3) of the *Quality Control Policies and Procedures Questionnaire* and by interviewing the appropriate parties?
2. Did you select a sample of new hires (indicate number _____), including those joining the firm through mergers or at supervisory levels and per diem employees, obtain each individual's personnel file, and—
 - a. Review the documentation and evaluate whether the individual possesses the desired attributes, achievements, and experience required by the firm? If "no," did you ascertain from other documentation or by inquiry why an exception was made?
 - b. Determine whether the background information and other documentation required by firm policy was obtained?
 - c. Select one or more of these new hires for an interview? (See separate interview guidelines.)
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?

The firm will make personnel assignments based on the degree of technical training and proficiency required in the circumstances and the nature and extent of supervision to be provided.

4. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the personnel management section (part B, question 4) of the *Quality Control Policies and Procedures Questionnaire* and by interviewing the appropriate parties?
5. Did you interview selected staff and per diem employees (indicate number _____) and determine whether they believe they had the technical training and proficiency required to perform the assignments received? (See separate interview guidelines.)

Yes No N/A Comments, Findings Noted

	Yes	No	N/A	Comments, Findings Noted
<p>6. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?</p> <p><i>Personnel will participate in general and industry-specific continuing professional education and professional development activities that enable them to satisfy responsibilities assigned and fulfill applicable continuing professional education requirements of the AICPA and regulatory agencies.</i></p>				
7. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the personnel management section (part B, questions 5–11) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
8. Did you review the firm's CPE records on a test basis (indicate number _____) and consider whether they demonstrate that—				
a. Professional personnel participated in CPE related to accounting and auditing assignments including specialized industries?				
b. The firm was in compliance with its plans for its CPE program and with the CPE requirements of—				
i. Board(s) of accountancy in state(s) in which the firm's professional staff is licensed?				
ii. AICPA (if applicable)?				
iii. State CPA society (if applicable)?				
iv. <i>Government Auditing Standards</i> —the "Yellow Book" (if applicable)?				
c. The firm is taking appropriate action to correct situations where professional personnel are not in compliance with CPE requirements?				
9. If the firm presents a significant amount of in-house training, did you select a sample of such programs for review (indicate number _____) and determine whether—				
a. The developer is qualified, and has obtained any necessary approvals? For example, a sponsor number from the appropriate state board of accountancy.				
b. The course is technically accurate, current, and contributes to the professional competence of the attendees?				

	Yes	No	N/A	Comments, Findings Noted
c. The instructor is qualified?				
d. The participants and instructor evaluate the course, and appropriate action is taken when the evaluations are not favorable?				
10. Did you interview selected staff (indicate number _____) and obtain their impressions of the firm's CPE function and their on-the-job training, determine whether new professional standards and guidance materials are made available to them on a timely basis, determine whether they participate in professional development activities? (See separate interview guidelines.)				
11. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>Personnel selected for advancement will have the qualifications necessary to fulfill the responsibilities they will be called on to assume.</i>				
12. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the personnel management section (part B, questions 12-15) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
13. Did you review job descriptions and responsibilities, evaluate advancement criteria, and determine whether they are reasonable for the firm?				
14. Did you select a sample of professional personnel (indicate number _____), review their personnel files, personnel evaluations, or other documentation, and determine whether staff members are reviewed, evaluated, and promoted in accordance with firm policy?				
15. Did you evaluate the effectiveness of the method used to evaluate owners and whether they fulfill the responsibilities assigned to them? If "yes," did you interview selected owners to assist in evaluating the effectiveness of the method used?				
16. Did you interview selected staff (indicate number _____) and determine their awareness of the firm's				

	Yes	No	N/A	Comments, Findings Noted
advancement policies and procedures and whether they are followed? (See separate interview guidelines.)				
17. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
C. Acceptance and Continuance of Clients and Engagements				
<i>The firm will evaluate factors that have a bearing on management's integrity.</i>				
1. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the acceptance and continuance section (part C, questions 1–4) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
2. Did you select a sample of new clients and continuing clients (indicate number _____) and determine that the firm evaluated management's integrity and appropriately documented the evaluation?				
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will evaluate whether the engagement can be completed with professional competence and, accordingly, undertake only those engagements that can be completed with professional competence, and appropriately consider the risk associated with providing professional services in particular circumstances.</i>				
4. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the acceptance and continuance section (part C, questions 5–8) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
5. Did you select a sample of acceptance and continuance decisions (indicate number _____), review the documentation for those decisions, and determine that the firm is complying with its own policies				

	Yes	No	N/A	Comments, Findings Noted
and procedures and with the requirements of professional standards?				
6. Did you select a sample of new engagements performed during the year (indicate number _____) and determine that the firm had the required expertise to perform the engagements?				
7. Did you select a sample of continuing engagements performed during the year (indicate number _____) and determine that the firm still had the required expertise to perform the engagement?				
8. If any client relationships were discontinued during the year under review, were they handled appropriately and documented?				
9. Did you interview selected staff (indicate number _____) and determine their awareness of the firm's acceptance and continuance of clients and engagements' policies and procedures and whether they are followed? (See separate interview guidelines.)				
10. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will obtain an understanding with the client regarding services to be performed.</i>				
11. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the acceptance and continuance of clients and engagements section (part C, question 9) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
12. Did you select a sample of engagements (indicate number _____) and review the firm's understanding of the engagement to be performed?				
13. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
D. Engagement Performance				
<i>The engagement will be planned to meet professional, regulatory, and firm requirements.</i>				
1. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the engagement performance section (part D,				

	Yes	No	N/A	Comments, Findings Noted
questions 1 and 2) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
2. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The engagement will be performed, supervised, reviewed, documented, and communicated in accordance with the requirements of professional standards, regulatory authorities, and the firm.</i>				
3. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the engagement performance section (part D, questions 3–9) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
4. If the firm uses quality control materials (for example, an audit and accounting manual or standardized forms, checklists, and questionnaires) developed internally or by some third party, were the materials suitably designed? (The reviewer may wish to obtain the most recent peer review report on the review of the design of the third-party materials.)				
5. Did you determine whether any standardized forms, checklists—especially, financial disclosure checklists—or questionnaires are appropriate and, if the use of any is discretionary, appropriate for the firm?				
6. Were the firm's procedures for review of the engagement reports, financial statements, and working papers appropriate?				
7. Were any unusual accounting or auditing problems related to clients obtained in a merger during the year under review encountered? If "yes," was the firm's assessment and treatment of such matters adequate?				
8. Were the firm's policies and procedures adequate for training and integrating the professional personnel of the merged-in practice into the reviewed firm's quality control policies and procedures?				
9. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

	Yes	No	N/A	Comments, Findings Noted
<i>The firm will identify areas and specialized situations where consultation is required and will require personnel to refer to authoritative literature and practice aids and to consult, on a timely basis, with individuals within or outside the firm when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).</i>				
10. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the engagement performance section (part D, questions 10-16) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
11. Did you select a sample of consultations (indicate number _____) and determine that—				
a. All relevant facts and circumstances appear to have been provided to the party or parties consulted? If "no," explain.				
b. The advice given appears reasonable based on the relevant facts and circumstances and consistent with professional standards? If "no," explain.				
c. The firm acted in a manner consistent with professional standards and with the firm's policies and procedures? If "no," explain.				
d. The extent of required consultations was appropriately comprehensive?				
12. Were the firm's reference materials for its audit and accounting practice sufficiently comprehensive and current?				
13. Did the reference materials include recent pronouncements and literature appropriate for the firm's specialties and are they updated on a timely basis?				
14. Was the guidance issued regarding reports on the application of accounting principles under SAS No. 50 appropriate? Did the firm—				
a. Comply with its requirements and with professional standards?				
b. Issue a report on the application of accounting principles that is appropriate in the circumstances?				

	Yes	No	N/A	Comments, Findings Noted
15. Did you interview selected staff and per diem employees (indicate number _____) and determine their awareness of the firm's engagement performance policies and procedures and whether they are followed? (See separate interview guidelines.)				
16. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
E. Monitoring				
<i>The firm will consider and evaluate, on an ongoing basis, the relevance and adequacy of its quality control policies and procedures.</i>				
1. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the monitoring section (part E, questions 1 and 2) of the <i>Quality Control Policies and Procedures Questionnaire</i> (the "questionnaire") and by interviewing the appropriate parties?				
2. If anything occurred (see part E, question 2.a of the "questionnaire") that would affect the firm's quality control policies and procedures were the necessary changes made?				
3. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will consider and evaluate, on an ongoing basis, the appropriateness of its guidance materials and any practice aids.</i>				
4. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the monitoring section (part E, questions 3 and 4) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
5. Did the firm review its practice aids to determine that they were up-to-date?				
6. Did the firm review its method of informing personnel of changes to professional standards, regulatory requirements, and any related changes to firm policy and practice aids?				

	Yes	No	N/A	Comments, Findings Noted
7. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will consider and evaluate, on an ongoing basis, the effectiveness of professional development programs.</i>				
8. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the monitoring section (part E, question 5) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
9. Did you ascertain whether actions were taken as a result of evaluations of in-house training programs and determine if they were achieving their objectives?				
10. Did the firm interview a sample of its personnel regarding the effectiveness of its training programs?				
11. Did you review the actions taken by the firm where staff were not in compliance with CPE requirements of the AICPA and other regulatory bodies?				
12. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				
<i>The firm will consider and evaluate, on an ongoing basis, compliance with its policies and procedures.</i>				
13. Did you obtain an understanding of the firm's policies and procedures by a review of the firm's responses to the monitoring section (part E, questions 6-8) of the <i>Quality Control Policies and Procedures Questionnaire</i> and by interviewing the appropriate parties?				
14. Did you review the available documentation supporting the monitoring procedures performed since the last peer review, if any, and evaluate whether—				
a. Those who conducted monitoring procedures had sufficient training and experience?				
b. The procedures performed were timely and covered—				

	Yes	No	N/A	Comments, Findings Noted
i. Reviewing and testing compliance with firm quality control policies and procedures relating to all the elements of quality control?				
ii. Reviewing an appropriate number of offices? (Reviewers should ask the reviewed firm about any requirements of relevant state boards of accountancy that must be met for the peer review to be accepted by such state boards as meeting its requirements.)				
iii. Reviewing an appropriate number and type of engagements for compliance with professional standards?				
c. The findings from the monitoring procedures were appropriately summarized and documented?				
d. The materials used in carrying out the monitoring procedures, such as questionnaires, programs, and checklists are adequate?				
e. Appropriate corrective action was taken on monitoring procedures findings, including, if necessary, action pursuant to the requirements of AICPA, <i>Professional Standards</i> , AU section 390 and AU section 561, or supplementing the working papers to document the procedures performed?				
15. If the firm's monitoring procedures include the conduct of inspection procedures,—				
a. Were inspection procedures performed timely?				
b. Were the criteria used in selecting offices and engagements for review and for selecting individuals within or outside the firm to carry out such procedures appropriate?				
c. Does the firm monitor whether planned corrective actions as a result of inspection procedures were actually implemented?				
d. Did you review the available documentation supporting annual inspections performed since the last peer review, if any, and evaluate whether—				
i. The inspectors or reviewer had sufficient training and experience?				
ii. The inspection procedures performed were timely and covered—				
(a) Reviewing and testing compliance with firm quality control policies and procedures relating to all the elements of quality control?				

	Yes	No	N/A	Comments, Findings Noted
(b) Reviewing an appropriate number of offices? (Reviewers should ask the reviewed firm about any requirements of relevant state boards of accountancy that must be met for the peer review to be accepted by such state boards as meeting its requirements.)				
(c) Reviewing an appropriate number and type of engagements for compliance with professional standards?				
iii. The findings from the inspection procedures were appropriately summarized and documented?				
iv. The materials used in carrying out the inspection procedures, such as questionnaires, programs, and checklists are adequate?				
v. Appropriate corrective action was taken on inspection findings, including, if necessary, action pursuant to the requirements of AICPA, <i>Professional Standards</i> , AU section 390 and AU section 561, or supplementing the working papers to document the procedures performed?				
16. If the firm's monitoring procedures include either inspections or pre- or postissuance reviews, did you review a sample and determine—				
a. If the criteria used in selecting engagements for review and for selecting individuals within or outside the firm to carry out such procedures were appropriate?				
b. Whether planned corrective actions were actually implemented?				
17. Did you interview selected staff (indicate number _____) and determine whether the findings from the monitoring procedures under review were communicated and considered by staff? (See separate interview guidelines.)				
18. Are you satisfied that the system pertaining to this policy is appropriately designed based on the procedures performed above and the results of the engagements reviewed?				

[The next page is 4601.]

PRP Section 4600

Staff Interview Questionnaire

.01 The review of a CPA firm's quality control policies and procedures require that professional personnel be interviewed. The objective of these interviews is to provide corroborative evidence that certain policies and procedures have been properly communicated.

.02 When soliciting information, reviewers should consider the nature of the topic, the level of the person being interviewed, and the size of the firm.

.03 The questionnaire developed to guide the reviewer in conducting interviews is included in this section of the manual. It should be tailored as the interviewer deems appropriate.

.04 The individuals interviewed should have varying levels of experience and background. The number of individuals interviewed will be affected by the size and nature of the reviewed firm's practice.

.05

AICPA Peer Review Program
STAFF INTERVIEW QUESTIONNAIRE

The review of a CPA firm's quality control policies and procedures requires that professional personnel be interviewed. Interviews with firm personnel are generally contemplated as a corroborative technique rather than as a means for initially gathering information. The reviewer should consider the nature of the topic, the level of the person being interviewed, and the size of the firm when soliciting information. This questionnaire lists suggested interview questions that may be tailored as the interviewer deems appropriate. Interviews can also elicit reactions or perceptions of which the firm should be, but is not aware. The interviewee should be advised that no record is kept of his or her name.

Office Code No.	Interviewee Code	Level of Interviewee
Suggested Questions	Responses	
<p>A. Independence, Integrity, and Objectivity</p> <ol style="list-style-type: none"> 1. How does the firm inform you of its policies and procedures to which the firm's independence policies apply? 2. If you had a question on an independence matter, what would you do? 3. Are you aware of any engagements in which you believe the firm was not independent? Yes___ No___. If "yes," which engagements? 4. Has another firm ever performed a segment of an engagement on which you have been involved and for which your firm was the principal auditor? Yes___ No___. If "yes," has the independence of that firm been confirmed? Yes___ No___. If "no," why? 5. In the performance of professional services you have been involved with do you believe firm members maintained objectivity and integrity, stayed free of conflicts of interest, and did not knowingly misrepresent facts or subordinate judgment to others? Yes___ No___. If "no," why? 6. Where applicable, did you adhere to the independence requirements including regulations, interpretations, and rulings of the AICPA, state CPA society, state board of accountancy, state society, and other regulatory agencies? Yes___ No___. If "no," why? 		

Suggested Questions

Responses

B. Personnel Management

1. How were you informed about the quality control policies and procedures that are relevant to you?
2. If staff being interviewed is involved in the recruiting process inquire into—
 - a. Whether he or she was informed about the firm's hiring objectives prior to becoming involved in the hiring process? Yes___ No___. If "yes," how were you apprised of this information?
 - b. The attributes, achievements, and experiences entry-level and experienced hires are expected to possess to enable them to perform competently within the firm.
 - c. What training did he or she receive prior to becoming involved in the recruiting process?
3. What types of assignments have you had in the past year?
4. Did you believe that the assignments you have received were based on the degree of training and proficiency you possessed at the time, and were commensurate with the nature and extent of supervision to be provided?
5. What types of courses and industry-specific continuing professional education and professional development activities did you participate in during the last year, and do you believe that these activities contributed to your ability to perform the responsibilities assigned to you?
6. Have you considered the specific continuing professional education requirements of the AICPA, state board of accountancy, and regulatory agencies such as GAO, DOL, etc.? Yes___ No___. If "no," briefly describe why.
7. Do you believe that the on-the-job training that you received during the year under review was adequate to enable you to perform the responsibilities assigned to you on general and industry-specific engagements? Yes___ No___. If "no," briefly describe why.

Suggested Questions	Responses
<ol style="list-style-type: none"> 8. Where applicable, are new professional standards, independence requirements, and guidance materials distributed on a timely basis? 9. What are the responsibilities of your position? 10. What are the qualifications deemed necessary for promotion to the level immediately above you? 11. How often have you been evaluated during the last year and do you believe that these evaluations, if any, were performed on a timely professional basis? 12. To what extent do you receive written or oral feedback on your performance? Do you believe that this is constructive? 	
<p>C. Acceptance and Continuance of Clients and Engagements</p>	
<ol style="list-style-type: none"> 1. What conditions on an engagement would cause you to bring them to the attention of your supervisor so that a decision could be made whether the firm's relationship with the client should be continued? 2. Does the firm obtain an understanding with its clients, whether written or oral, regarding the services to be performed? 	
<p>D. Engagement Performance</p>	
<ol style="list-style-type: none"> 1. Do you believe that the engagements on which you have participated have been properly planned to meet professional, regulatory, and firm requirements? Yes___ No___. If "no," explain why. Can you give some examples of planning considerations for engagements on which you have participated? 2. In planning an engagement, what forms should be prepared and what procedures should be performed? (Applicable only to staff with planning responsibilities.) 3. To what extent have you been supervised on the engagements on which you have participated and do you believe that the degree of supervision was adequate? 	

Suggested Questions	Responses
<ol style="list-style-type: none"> 4. To what extent have you supervised other people on the engagements on which you have participated and do you believe you were adequately trained to carry out that responsibility? 5. Do you refer to authoritative literature or practice aids while performing engagements? 6. How do you determine the procedures to perform, and the form and content of working papers for engagements on which you participate? 7. If you do not know the answer to an accounting or auditing question, what would you do? 8. Has the firm identified any individuals within or outside the firm as (industry) specialist? Yes___ No___. If "yes," give a few examples. How were you apprised of them? 9. Has the firm identified any specialized situations requiring consultation? Yes___ No___. If "yes," give a few examples. If "no," what are some situations which you believe make it necessary to consult or refer to a technical practice aid? How have you been apprised of situations requiring consultation with a specialist? What degree of authority is accorded the opinion of specialists, if any, and how are any differences of opinion with such specialists resolved? 10. To what extent is your work reviewed? 11. How are differences of professional judgment among members of an engagement team resolved? 	
<p>E. Monitoring</p> <ol style="list-style-type: none"> 1. If your firm performs annual inspections: <ol style="list-style-type: none"> a. Were any of the engagements on which you worked selected for review during the most recent inspection and the one immediately proceeding it? Yes___ No___. If "yes," were you made aware of the findings concerning your work and were they considered on the subsequent engagement? b. What were the findings of the most recent inspection and how were these communicated to you? 	

Suggested Questions	Responses
<p>2. If your firm performs pre- or postissuance reviews of engagements:</p> <p>a. Were any of the engagements on which you worked selected for review? Yes___ No___. If "yes," were you made aware of the findings concerning your work? If "yes,"—</p> <p>i. Were they immediately corrected for preissuance reviews?</p> <p>ii. Were they considered on the subsequent engagement for postissuance reviews?</p> <p>iii. If "no" to both questions above, why?</p>	

Date of Interview _____

Interviewer's Signature _____

Date Interview Questionnaire Reviewed by Team Captain _____

Team Captain's Signature _____

[The next page is 4701.]

PRP Section 4700A

Summary Review Memorandum—On-Site Peer Reviews (Effective for Peer Review Years Beginning on or After January 1, 1997)

Contents

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Instructions

.01 This section of the Manual contains a Summary Review Memorandum for on-site peer reviews. The purpose of the Summary Review Memorandum is to document (1) the planning of the review, (2) the scope of the work performed, (3) the findings and conclusions supporting the report and letter of comments, if any, and (4) the comments communicated to senior management of the reviewed firm that were not deemed of sufficient significance to include in the letter of comments. This documentation is required to enable the state CPA society administering the review to exercise its oversight function in an effective and consistent manner.

.02 The attached form, if properly completed, ordinarily should provide the documentation necessary to meet these objectives. If there is insufficient space to fully describe any matters, additional sheets should be used and attached to the form.

.03 Questions regarding the use of this form or any other materials or about the review in general should be directed to the staff of the state CPA society administering the review or to such other individuals the administering entity may identify for that purpose.

.04 This form must be completed on all on-site peer reviews in the AICPA peer review program and must be submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm under review, by a state CPA society participating in the program (a committee-appointed review team), or by an authorized association of CPA firms.

.05

AICPA Peer Review Program

SUMMARY REVIEW MEMORANDUM—ON-SITE PEER REVIEWS

Reviewed Firm's Name _____

Reviewed Firm's Address _____

Peer Review Year End _____

I. Description of Firm**A. Professional Staff Profile (if the firm has more than one office, provide a breakdown by office):**

	<u>Office 1</u>	<u>Office 2</u>	<u>Office 3</u>	<u>Total</u>
Owners (or equivalent)				
Managers (or equivalent)				
Other Professionals ¹				

B. Indicate extent of industry specializations, if any:

II. Planning the Review**A. Composition of Review Team:**

1. Team Captain _____
Firm _____ Position _____
Areas of Experience² _____
2. Team Member _____
Firm _____ Position _____
Areas of Experience² _____
3. Team Member _____
Firm _____ Position _____
Areas of Experience² _____

¹ The term "professional" refers to all personnel who perform professional services for which the firm is responsible whether or not they are CPAs (SQCS No. 2, par. 3, footnote 4).

² As it relates to the reviewed firm's practice.

- B. Describe basis for and degree of reliance, if any, on the firm's inspection program. (Reliance should not be placed on the firm's inspection program when one was not performed during the current year.)

- C. Was the firm previously reviewed? Yes ____ No _____. If "yes," indicate, based on your evaluation of the actions taken by the firm in response to the matters in the prior report and letter of comments, whether such matters required additional emphasis in the current review and how that was done.

D. Development of Review Program:

1. Describe any significant deviations from AICPA peer review questionnaires and checklists and explain reason:

2. Describe the risk assessment of the firm's accounting and auditing practice and its quality control system, the number of offices and engagements selected for review, and the basis for that selection in relation to the risk assessment. (Attach a memorandum if more space is needed.)

E. Important Dates:

Commencement of Review _____

Exit Conference _____

Issuance of report and, if applicable, letter of comments _____

Mailing of working papers (committee-appointed review teams only) or Team Captain Checklist and SRM to the state CPA society administering the review _____

III. Scope of Work Performed

A. Accounting and Auditing Statistics:³

	<i>Total</i>		<i>Offices</i>					
	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>
SAS—								
Audits:								
Subject to <i>Government Auditing Standards</i> ⁴								
ERISA								
SEC								
Other								
Agreed-Upon Procedures								
SSARS—								
Reviews								
Compilations With Disclosures								
Compilations Omit Disclosures								
SSAE—								
Financial Forecast and Projection—Examination								
Financial Forecast and Projection—Other								
Other								

³ The number of engagements should include each monthly, quarterly and annual report issued.

⁴ Includes only audits of entities subject to *Government Auditing Standards* ("Yellow Book"), including audits subject to OMB Circulars A-128 and A-133.

B. Engagements Reviewed:³

	<i>Total</i>		<i>Offices</i>					
	<i>Hrs.</i> ⁵	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>	<i>Hrs.</i>	<i>No. of Engs.</i>
SAS—								
Audits:								
Subject to <i>Government Auditing Standards</i> ⁴								
ERISA								
SEC								
Other								
Agreed-Upon Procedures								
SSARS—								
Reviews								
Compilations With Disclosures								
Compilations Omit Disclosures								
SSAE—								
Financial Forecast and Projection—Examination								
Financial Forecast and Projection—Other								
Other								
Percentage of A&A Practice Reviewed								
Comments:								

C. Did the firm perform any audits of federally insured depository institutions with more than \$500 million in total assets subject to Section 36 of the Federal Deposit Insurance Act? Yes___ No___
If "yes," how many were included in the scope of the peer review? _____

D. Were you requested not to review any engagements? Yes___ No___ If "yes," describe the reason for the request, whether you were satisfied as to the reason, and how this affected the scope of the review.

³ The number of engagements should include each monthly, quarterly and annual report issued.

⁴ Includes only audits of entities subject to *Government Auditing Standards* ("Yellow Book"), including audits subject to OMB Circulars A-128 and A-133.

⁵ For engagements on which not all of the key areas were reviewed, include only the engagement hours that relate to the portion of the engagement that was reviewed and note the fact in the comment section.

IV. Overall Findings and Conclusions:

- A. Based on reading the information obtained from the questionnaire filled out by the reviewed firm and other relevant written firm materials, discussions with firm personnel, the results of the specific procedures performed and engagements reviewed and giving due consideration to factors such as size of the firm, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations, do you conclude that the firm's policies and procedures were appropriately designed and the firm complied with its policies and procedures with respect to the following quality control elements? For any deficiencies uncovered by your review indicate below the effect of those deficiencies:

	Deficiencies						Reporting Implications					
	<u>Conclusion</u>		<u>A Design Deficiency</u>		<u>Noncompliance With System of Quality Control</u>		<u>Result in Qualified or Adverse Report</u>		<u>Included in the Letter of Comments</u>		<u>Discussed at Exit Conference⁶</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes⁷</u>	<u>No</u>	<u>Yes⁷</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
1. Independence, Integrity, and Objectivity	—	—	—	—	—	—	—	—	—	—	—	—
2. Personnel Management	—	—	—	—	—	—	—	—	—	—	—	—
3. Acceptance and Continuance of Clients and Engagements	—	—	—	—	—	—	—	—	—	—	—	—
4. Engagement Performance	—	—	—	—	—	—	—	—	—	—	—	—
5. Monitoring	—	—	—	—	—	—	—	—	—	—	—	—
6. Membership Requirements (PCPS only)	—	—	—	—	—	—	—	—	—	—	—	—

- B. Attach a copy of the report issued.

- C. Was a letter of comments issued? Yes___ No___. If "yes," attach a copy. If no, comment briefly on the reviewer's findings in relation to that decision.

⁶ The nature and extent of the deficiency communicated should be summarized in question IV.H of this form.

⁷ "Yes" answers should be supported by Matters for Further Consideration Forms that are summarized on the Summary of Matters for Further Consideration and Conclusion form.

[illegible][illegible]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

H. Describe the nature and extent of each matter discussed at the exit conference and/or communicated to senior management of the reviewed firm that was not deemed of sufficient significance to include in a letter of comments.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- I. Did the review disclose any situations that led the reviewers to conclude that the financial statements did not conform in all material respects with generally accepted accounting principles (or, if applicable, a comprehensive basis of accounting other than GAAP) and the auditor's/accountant's report was not appropriately modified? (AU561 and ET203) Yes___ No___.⁸ If "yes":

1. Describe such situations fully. _____

2. Indicate whether the firm considered the matter. _____

3. Describe the actions the firm has taken or plans to take. _____

4. If the firm has taken the necessary actions, indicate whether you have reviewed documentation of such actions (for example, reissued report and financial statements or letter recalling previously issued reports) and whether the actions are appropriate. _____

5. If the firm has not taken the necessary actions, indicate whether you concur with its planned actions. _____

⁸ These situations should be reflected on the Engagement Statistics Data Sheet in Attachment 1. Also, when there is a disagreement with the reviewed firm about these situations, the reviewers should consult with the administering entity or its designee.

- J. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with generally accepted auditing standards and other applicable standards including, where applicable, governmental auditing standards (AU390 and ET202)? Yes___ No___.⁹ If "yes":

1. Describe such situations fully. _____

2. Indicate whether the firm considered the matter. _____

3. Describe the actions the firm has taken or plans to take. _____

4. If the firm has performed the additional procedures necessary to support the previously issued opinion, indicate whether you have reviewed the documentation of the additional procedures and whether the conclusions reached are appropriate. _____

5. If the firm has not performed the necessary procedures, indicate whether you concur with the planned actions. _____

⁹ See footnote 8.

- K. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with standards for accounting and review services (ET202)? Yes___ No___¹⁰ If "yes":

1. Describe such situations fully. _____

2. Indicate whether the firm considered the matter. _____

3. Describe the actions the firm has taken or plans to take. _____

4. If the firm has completed the necessary actions, indicate whether you have reviewed documentation of such actions. _____

5. If the firm has not yet taken the necessary actions, indicate whether you concur with the planned actions. _____

¹⁰ See footnote 8.

- L. Did the review disclose any situations that led the reviewers to conclude that the firm did not perform an engagement in all material respects in accordance with the standards for attestation engagements or any other standards not encompassed in items I, J, and K of this section? Yes____ No____.¹¹ If "yes":

1. Describe such situations fully. _____

2. Indicate whether the firm considered the matter. _____

3. Describe the actions the firm has taken or plans to take. _____

4. If the firm has completed the necessary actions, indicate whether you have reviewed documentation of such actions. _____

5. If the firm has not taken the necessary actions, indicate whether you concur with its planned actions. _____

¹¹ See footnote 8.

1. Describe such situations fully. _____

2. Describe the procedures the firm has represented that it performed in the situation(s). _____

3. Indicate whether you believe the procedures described by the firm are sufficient in the circumstances. _____

[illegible]

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- O. Based on the deficiencies noted on the peer review, do you believe corrective or monitoring action should be required of the firm by the report acceptance body? Yes___ No___. If "yes," please describe.

[illegible]

- P. The following is the actual or best estimate of the number of hours expended to complete the peer review.

Actual Review Hours

Team Captain _____

Team Member(s) A. _____

B. _____

C. _____

D. _____

Total Review Hours _____

Team Captain _____

Date _____

.06

ATTACHMENT 1

ON-SITE ENGAGEMENT STATISTICS DATA SHEET*

(To Be Completed On All Reviews)

I. Engagement Statistics

Type of Engagement	Total No. Reviewed	Total No. Substandard
SAS—		
Audits:		
Subject to Government		
Auditing Standards		
ERISA		
SEC		
Other		
Agreed-Upon Procedures		
SSARS—		
Reviews		
Compilations With Disclosures		
Compilations Omit Disclosures		
SSAE—		
Financial Forecast and Projection—Examination		
Financial Forecast and Projection—Other		
Other		
Total		

REASON CODES

Substandard Engagement Reason Codes
 GAA Non-GAAS and Non-GAAP
 GAP Non-GAAP
 GAS Non-GAAS
 SAR Non-SSARS
 ATT Non-SSAE

ACTION CODES

Substandard Engagement Action Codes
 1. Report and/or financial statement recalled,
 revised and reissued
 2. Financial statements corrected or to be corrected
 in subsequent year (issuance of financial
 statement on subsequent period is imminent)
 3. Omitted auditing procedure(s) performed or to be
 performed in subsequent engagement (performance
 of subsequent engagement is imminent)
 4. Cause of independence impairment eliminated
 5. Unable to apply omitted procedures
 6. Notified parties that no reliance should be placed
 on the report issued

II. Reasons for Substandard Engagements

Type of Engagement Reviewed	Reason Code	Comments

III. Actions To Be Taken on Substandard Engagements

Type of Engagement Reviewed	Action Code	Comments

IV. Engagements Excluded from Review

Type of Engagement Reviewed	Reason Code	Comments

EXCLUDED ENGAGEMENT REASON
CODES

1. Subject of litigation
2. Subject of investigation by government agency
3. Client imposed restrictions
4. Other

* The information reflected on this sheet should agree with the information reflected in Items III.B, IV.I, IV.J, IV.K, and IV.L of the Summary Review Memorandum.

.07

ATTACHMENT 2

Cost Information

(Required only for committee-appointed review teams)

A. Budget to Actual Comparison

	<i>Budgeted Hours</i>	<i>Actual Hours</i>		
		<i>Total</i>	<i>Team Captain</i>	<i>Team Member(s)</i>
Planning	_____	_____	_____	_____
Engagement Review	_____	_____	_____	_____
Quality Control System Review	_____	_____	_____	_____
Exit Conference	_____	_____	_____	_____
Report	_____	_____	_____	_____
Letter of Comments	_____	_____	_____	_____
Other (describe if significant)	_____	_____	_____	_____
Total Hours	_____	_____	_____	_____
Range per Engagement Letter	_____			
Rate/Hour			_____	_____
Total Amount			_____	_____

B. Was the actual review time discussed with the firm? Yes___ No___.

C. Does actual time exceed the upper end of the estimated range? Yes___ No___ . If "yes," describe the reasons for the overrun, indicate that the matter has been discussed with the reviewed firm, and indicate whether the overrun is acceptable to the firm.

Team Captain _____

Date _____

[The next page is 4801.]

PRP Section 4800A

Team Captain Checklist—On-Site Peer Reviews (Effective for Peer Review Years Beginning on or After January 1, 1997)

Contents

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B. Index for Non-Engagement Related Working Papers07

Instructions

.01 This section of the manual contains a Team Captain Checklist for on-site peer reviews. It provides a basic overview of the way in which all on-site peer reviews—regardless of firm size—are to be conducted.

.02 On-site peer reviews are administered by state CPA societies participating in the program. Hereafter, those entities are referred to collectively as the *administering entity*.

.03 Questions regarding the use of this checklist or any other materials or about the review in general should be directed to the staff of the administering entity or to such other individuals the administering entity may identify for that purpose.

.04 This checklist must be completed on all on-site peer reviews of firms in the AICPA Peer Review Program and submitted to the administering entity, whether those reviews are conducted by a review team formed by a firm engaged by the firm under review, by a state CPA society participating in the program (a *committee-appointed review team*), or by an authorized association of CPA firms.

.05

AICPA Peer Review Program

TEAM CAPTAIN CHECKLIST—ON-SITE PEER REVIEWS

	<u>Initial</u>	<u>Date</u>
I. Prior to the Review		
1. Review the background information furnished by the firm and ascertain whether the firm is enrolled in the AICPA Peer Review Program.	_____	_____
2. Contact the firm to be reviewed sufficiently in advance of the review (ordinarily, at least three weeks before the review) and—		
a. Confirm the timing of the review and the expected date of the exit conference.	_____	_____
b. Confirm that the administering entity has been notified about the arrangements for the review and that the firm has received acknowledgement of that information.	_____	_____
c. Confirm in all reviews performed by a committee-appointed review team that the firm has returned a signed copy of the engagement letter to the administering entity.	_____	_____
d. Request the firm to provide—		
(i) A copy of its completed <i>Quality Control Policies and Procedures Questionnaire</i> .	_____	_____
(ii) An engagement list (see illustration in "Instructions to Firms Having an On-Site Peer Review"). The list should contain all engagements with periods ending during the year under review and covered by the definition of an accounting and auditing practice for peer review purposes. ¹	_____	_____
(iii) A list of the firm's professional personnel, showing name, position, and years of experience (1) with the firm and (2) in total.	_____	_____
(iv) A copy of the client's 8-K filing notifying the SEC of the change in auditors if the firm has been the auditor for an SEC registrant and has resigned, declined to stand for re-election or been dismissed since the date of the firm's last peer review or during the review year if the firm has not previously had a review to verify that the client/auditor relationship has terminated.	_____	_____
(v) A copy of the firm's documentation maintained since its last peer review to demonstrate compliance with the monitoring element of quality control (AICPA, <i>Professional Standards</i> , vol. 2, QC sec. 20.25).	_____	_____
e. Inquire whether the firm has had a previous peer review and, if so, request a copy of the report, letter of comments, letter of response, and the letter accepting those documents.	_____	_____

¹ Previously, the only types of attestation engagements included within the scope of a peer review were those on prospective financial statements under the Statements on Standards for Attestation Engagements (SSAE) for *Financial Forecasts and Projections* (AICPA, *Professional Standards*, vol. 1, AT sec. 200). The definition of an accounting and auditing practice for peer review purposes has been expanded to include engagements performed under the other SSAE sections if the service pertains to financial information and the CPA firm audits, reviews, or compiles the historical financial statements of the client.

	<u>Initial</u>	<u>Date</u>
f. Confirm that the firm performed no SEC engagements during the review year. If it did, contact the AICPA Peer Review Program.	_____	_____
g. Confirm that the firm has designated an owner or senior staff member to act as a liaison with the review team.	_____	_____
h. Confirm that persons in the firm responsible for the various quality control functions will be available for interviews during the review, especially at the beginning of the review. (In smaller firms, the managing owner might be the primary source of information about the firm's quality controls.)	_____	_____
i. Inquire whether—		
(i) The owners of the firm and the firm itself have licenses to practice public accounting in the state(s) in which the firm practices as required by the applicable state board(s) of accountancy.	_____	_____
(ii) The firm is being or has been investigated during the last three years by any state board of accountancy or AICPA or state society professional ethics committee in connection with the quality of the firm's accounting and auditing practice and, if available, the results thereof.	_____	_____
(iii) There are any restrictions or limitations on the firm's or its personnel's ability to practice accounting and auditing that were effective during the period since the firm's last peer review (or since enrolling in one of the AICPA practice monitoring programs, whichever is later) and that were imposed by or agreed to with other regulatory, monitoring or enforcement bodies (e.g., SEC, GAO, or DOL). If yes, include in the scope of the peer review an evaluation of the adequacy of the firm's actions to comply with such restrictions or limitations.	_____	_____
(iv) Any requirements of relevant state boards of accountancy must be met for the review to be accepted by such board(s) as meeting its requirements.	_____	_____
j. Select, in conjunction with the reviewed firm, a review period that covers a current period of one year. The review year ordinarily should end about three to four months before the review commences. It does not have to be the same as the firm's fiscal year. The firm is expected to maintain the same year end on subsequent reviews. However, circumstances may arise that necessitate changing the peer review year end. In such situations, the year end may be changed with the prior approval of the administering entity.	_____	_____
3. Contact any other review team members and confirm arrangements, including travel and hotel arrangements, with them.	_____	_____
4. Obtain a sufficient understanding of the following areas to plan the review:		
a. The nature and extent of the firm's accounting and auditing practice.	_____	_____
b. The design of the firm's quality control system. (This can be obtained by reading the reviewed firm's responses to the <i>Quality Control Policies and Procedures Questionnaire</i> .)	_____	_____

- | | <u>Initial</u> | <u>Date</u> |
|--|----------------|-------------|
| 5. Assess inherent risk and control risk at both the office and engagement level. (Engagements to audit entities subject to the Employee Retirement Income Security Act of 1974 [ERISA] and of SEC registrants should be assessed at a high level of inherent risk.) | _____ | _____ |
| 6. Based on the risk assessment, make a preliminary selection of the practice offices to be visited and the engagements to be reviewed. Engagements selected for review should be those with periods ending during the year under review. If the current year's engagement is not completed and a comparable engagement within the peer review year is not available, the prior year's engagement should be reviewed. If the subsequent year's engagement has been completed, then consideration of whether the more recently completed engagement should be reviewed instead should be based on the assessment of peer review risk. To minimize any assertion that advance selections may afford undue opportunities for "clean-up" of the working papers, it is preferable that the selection of some engagements not be made known to the firm until the review team arrives. | | |
| a. If the firm performs the following types of engagements and one or more of each type performed by the firm is not included in the sample of engagements selected for review, the team captain should document his or her justification for why not in question II.D.2 of the Summary Review Memorandum— | | |
| • Audits conducted pursuant to ERISA. | _____ | _____ |
| • SEC registrants. | _____ | _____ |
| b. If the firm performs the following types of engagements, then one or more of each type that the firm performs should be included in the sample of engagements selected for review— | | |
| • Audits conducted pursuant to the <i>Government Auditing Standards</i> issued by the U.S. General Accounting Office (the "Yellow Book"). | _____ | _____ |
| • Engagements subject to Section 36 of the Federal Deposit Insurance Act if the review is intended to satisfy the requirements of that Act. | _____ | _____ |
| 7. Assign code numbers to the engagements selected to maintain client confidentiality and request the firm to complete the profile sheets in the engagement review checklists and to assemble the working papers and reports before the review begins. | _____ | _____ |
| 8. If the reviewed firm does not permit the working papers for certain engagements to be reviewed, evaluate the reasonableness of the explanation and consider what other actions may be appropriate in the circumstances (see the <i>Standards</i> , on "Scope of the Review"). When the explanation is that the client has refused to allow its engagement to be reviewed, inspect any written communications between the firm and the client and evaluate whether the firm made a good-faith effort to obtain the client's concurrence to the review. | _____ | _____ |

II. At the Beginning of the Review

- | | | |
|---|-------|-------|
| 1. Meet with other reviewers to— | | |
| a. Orient them to firm policies and procedures. | _____ | _____ |

	Initial	Date
b. Instruct them in the manner in which working papers, questionnaires, checklists, and MFC forms are to be prepared to facilitate supervision and review.	_____	_____
c. Explain the "key audit area" approach to engagement review, noting that the team captain should concur in advance with respect to such decisions.	_____	_____
d. Assign responsibilities.	_____	_____
2. If the firm was previously reviewed, consider whether matters, if any, discussed in the firm's prior report, letter of comments, and response thereto require additional emphasis in the current review, and discuss these matters with the other members of the review team.	_____	_____

III. During the Review

1. Gain, through discussion with the managing owner and/or other key personnel an understanding of the firm's professional and management environment and the business environment in which the firm and its clients practice. (The professional environment established by a firm and the business environment in which it and its clients operate can have a significant impact on the effectiveness of a firm's quality control system. A quality firm has as its overriding goal the provision of audit, accounting, tax and advisory services to clients in the best professional manner; the reviewer should know whether this philosophy is espoused by the firm and whether it is communicated to and understood by all personnel. Also, the business environment in which the firm and its clients operate can place pressures on professionalism, pressures that only a strong system supported by leadership from the top can ordinarily meet).	_____	_____
2. Make or approve any modifications to programs and checklists issued by the AICPA for the conduct of the review, noting that paragraph 31 of the <i>Standards</i> provide: "Failure to complete all relevant programs and checklists in a professional manner creates the presumption that the review has not been performed in conformity with these standards. Such a review cannot be accepted as meeting the requirements of the peer review program."	_____	_____
3. Ascertain that the scope of the peer review includes an adequate sample of auditing and accounting engagements based upon the risk assessment and consider whether modifications are needed in the selection of offices or engagements for review.	_____	_____
4. Make appropriate arrangements for an exit conference and, for multi-office firms, determine that appropriate arrangements are made for an exit conference at each office visited.	_____	_____
5. Consult with the administering entity or its designee in situations previously identified by the entity and whenever any of the following situations are encountered:		
a. The review team feels it may not have the expertise required under the <i>Standards</i> to accomplish the required engagement reviews satisfactorily.	_____	_____

	<u>Initial</u>	<u>Date</u>
b. The review team is considering whether to terminate the review because, for example, of a lack of cooperation.	_____	_____
c. The review team and the reviewed firm have a disagreement on a significant matter, including the type of report to be issued, the letter of comment to be issued, matters that may require the application of the guidance in AICPA <i>Professional Standards</i> , AU section 561 and AU section 390, and similar matters with respect to engagements to compile or review historical financial statements or to examine prospective financial statements.	_____	_____
d. There is any uncertainty about the report to be issued or the matters to be included in the letter of comments. (see IV. 1).	_____	_____
6. Consider the need to consult with the administering entity or its designee whenever the following situations are encountered:		
a. Difficulties in complying with the <i>Standards</i> , especially in selecting engagements or offices for review.	_____	_____
b. Circumstances that may call for issuance of other than an unqualified report.	_____	_____
7. Prepare or review the applicable checklist, <i>Guidelines for Review of Quality Control Policies and Procedures</i> . [There is one checklist for sole practitioners with no professional staff (PRP section 4400) and one for all firms with two or more professional staff (PRP section 4500).]	_____	_____
8. Prepare or review a summary of "no" answers on engagements reviewed.	_____	_____
a. Ascertain that all significant items are included on an MFC form.	_____	_____
9. Review the reviewed firm's responses to all MFC forms, making sure that the form clearly indicates that the reviewed firm agrees with the facts as described or explains its reasons for disagreement.	_____	_____
10. If the firm is a multi-office firm and it facilitates summarization of the results of the review of the firm as a whole, prepare or review memoranda summarizing the results of the reviews of each office visited.	_____	_____
11. Prepare or review a summary of MFC forms and evaluate the impact of the matters discussed on those forms on the firm's system of quality control and its compliance with that system and, if applicable, with the membership requirements of the Private Companies Practice Section. (The format of the summarization is left to the discretion of the reviewer; however, a summary format is available in PRP section 4900.)	_____	_____
12. Develop a list of points to be discussed at the firm-wide exit conference, distinguishing between—		
a. Matters that require a qualified or adverse report.	_____	_____
b. Other matters that will be included in the letter of comments.	_____	_____
c. Other comments and suggestions.	_____	_____
13. Prepare the firm-wide Summary Review Memorandum using the format suggested in PRP section 4700A.	_____	_____
14. Notify the administering entity promptly if there is a change in the date of the exit conference.	_____	_____

<u>Initial</u>	<u>Date</u>
----------------	-------------

IV. At Completion of the Review

1. Communicate the review team's findings to senior members of the reviewed firm at an exit conference. The reviewed firm is entitled to be informed at the exit conference about any matters that may affect the report and about all significant findings and recommendations that will be included in the letter of comments. Accordingly, except in rare circumstances which should be explained to the reviewed firm, the exit conference should be postponed if there is any uncertainty about the report to be issued or the matters to be included in the letter of comments. Also, at that time discuss the following with the reviewed firm—
 - a. The report and letter of comments:
 - (i) Are to be provided to the reviewed firm within thirty days of the exit conference date or by the firm's peer review due date, whichever date is earlier.
 - (ii) Are to be sent, along with an appropriate response, by the reviewed firm to the administering entity within thirty days of the date it receives the report and letter of comments or by the firm's peer review due date, whichever date is earlier.
 - b. The letter of response should be addressed to the peer review committee of the administering entity and should describe the remedial or corrective actions taken or planned to prevent a recurrence of each matter described in the letter of comments. If the reviewed firm disagrees with one or more of the findings or recommendations in the letter of comments, its response should describe the reasons for such disagreement.
 - c. The reviewed firm should submit a draft of its letter of response to the team captain for review and comment prior to submitting the response to the administering entity.
 - d. The reviewed firm should not publicize the results of the review or distribute copies of the report to its personnel, clients, or others until it has been advised that the report has been accepted by the administering entity.
 - e. The actual time incurred on the review to date and additional time anticipated to complete all aspects of the review.
2. Review PRP section 3400A, *Guidance for Writing a Letter of Comments*.
3. Prepare the report and letter of comments following the guidance in the *Standards*, and—
 - a. Submit the original of such documents to the reviewed firm within thirty days of the exit conference date or by the firm's peer review due date, whichever date is earlier.
 - b. Submit a copy of such documents to the administering entity within thirty days of the exit conference date or by the firm's peer review due date, whichever date is earlier, along with a copy of the "On-Site Peer Review Completion Form." (See appendix A.)
4. Complete the Summary Review Memorandum. (See PRP section 4700A.)

- | | <u>Initial</u> | <u>Date</u> |
|--|----------------|-------------|
| 5. For reviews conducted by committee-appointed review teams— | | |
| a. Send all working papers to the administering entity in two separate mailings— | | |
| (i) Working papers for reviews of individual engagements. | _____ | _____ |
| (ii) All other working papers and correspondence. (See appendix B.) | _____ | _____ |
| b. Approve bills for time and expenses of review team members and submit them along with your own bill to the administering entity. Make sure the bills include the federal employer identification number for Form 1099 purposes, when applicable. | _____ | _____ |
| 6. For all other reviews, send a copy of the firm-wide Summary Review Memorandum, the Team Captain Checklist and the MFC forms to the administering entity. Note that other working papers on these reviews are subject to oversight procedures, which may be applied at a later date. | _____ | _____ |
| 7. <i>Reminder:</i> After the reviewed firm's draft letter of response has been reviewed, communicate to the reviewed firm any comments you may have on the response. When reviewing the firm's letter of response, the team captain should look for the existence of inconsistencies between the letter of comments and the letter of response and for situations in which the response is inadequate or inappropriate. | _____ | _____ |

.06

Appendix A
ON-SITE PEER REVIEW COMPLETION FORM

Date: _____

To: _____

From: _____
(Name of the Review Team Captain)

Re: Review of _____

Firm Number _____ Review Number _____

-
1. On what date was the firm-wide exit conference held? _____
 2. When was the report and letter of comments, if any, delivered to the reviewed firm? _____
 3. What was the general nature of the report? _____
 4. If the report was qualified or adverse, what were the reasons? _____
 5. Where will the working papers be shipped? _____

 6. When will the working papers be shipped to the entity noted in (5) above? _____

Team Captain Signature _____

Date: _____

* Please use the report codes on page 4823.

REPORT CODES*GENERAL NATURE OF THE REPORT*

- 1 Unqualified—No Letter of Comments
- 2 Unqualified—With Letter of Comments
- 3 Qualified—System of Quality Control (only)
- 5 Qualified—Scope Limitation (only)
- 7 Adverse

REASONS FOR SYSTEM OF QUALITY CONTROL QUALIFICATIONS

- 351 Independence, Integrity, and Objectivity
- 352 Engagement Performance
- 353 Personnel Management
- 354 Acceptance and Continuance of Clients and Engagements
- 355 Monitoring

.07

Appendix B**Index for Non-Engagement Related Working Papers**

<i>Ref.</i>	<i>Section Description</i>	<i>X Where Applicable</i>
A	Peer Review Report	<input type="checkbox"/>
B	Letter of Comments	<input type="checkbox"/>
C	Prior Review Report, Letter of Comments and Letter of Response	<input type="checkbox"/>
D	Team Captain Checklist (PRP Section 4800A)	<input type="checkbox"/>
E	Summary Review Memorandum (PRP Section 4700A)	<input type="checkbox"/>
PLANNING		
F	Engagement Letter	<input type="checkbox"/>
G	Firm Background Information	<input type="checkbox"/>
H	Firm Quality Control Document	<input type="checkbox"/>
I	Quality Control Policies and Procedures Questionnaire (PRP Section 4200 or 4300)	<input type="checkbox"/>
J	Planning Conference Memorandum	<input type="checkbox"/>
K	Preliminary Selection of Engagements	<input type="checkbox"/>
L	Other Planning Materials	<input type="checkbox"/>
PERFORMANCE		
M	Guidelines for Review of Quality Control Policies and Procedures (PRP Section 4400 or 4500)	<input type="checkbox"/>
N	Staff Interview Questionnaires (PRP Section 4600)	<input type="checkbox"/>
O	Summary of Matter for Further Consideration Forms (PRP Section 4900)	<input type="checkbox"/>
P	Matter for Further Consideration Forms	<input type="checkbox"/>
Q	Other Performance Related Materials	<input type="checkbox"/>
REPORTING		
R	List of Points for the Exit Conference	<input type="checkbox"/>
S	Exit Conference Memorandum	<input type="checkbox"/>
T	Other Reporting Materials	<input type="checkbox"/>
ADMINISTRATION		
U	Time Summaries	<input type="checkbox"/>
V	Evaluation of Team Members	<input type="checkbox"/>
W	Other Miscellaneous Correspondence	<input type="checkbox"/>

[The next page is 4901.]

PRP Section 4900

Matter for Further Consideration Form

Instructions

.01 A reviewer should prepare a Matter for Further Consideration form (MFC) to clearly and concisely document all significant matters that require additional information or explanation of the facts from the reviewed firm.

.02 If an MFC form is prepared during the course of the review and subsequent information indicated that the form should not have been prepared, it may be discarded. (For example, an MFC may be discarded if it stated that no letter was received from legal counsel, but an acceptable letter has been received and misfiled and was subsequently found. Similarly, an MFC may be discarded if it stated the documentation in a particular area was inadequate, but the reviewer reconsidered and decided the documentation was adequate.) On the other hand, if an MFC is prepared for a matter which is valid, the MFC should not be discarded even though it is subsequently decided that the matter need not be covered in the letter of comments.

.03 The matters discussed on an MFC form should be classified as follows—

Design—The reviewer believes that the firm's quality control policies and procedures, even if fully complied with, are not likely to provide the firm with reasonable assurance of conforming with professional standards.

Performance—The reviewer believes that the reviewed firm failed to adhere to professional standards, including GAAP, GAAS, GAGAS, SSARS, and SSAE.

Compliance—System of Quality Control—The reviewer believes that the reviewed firm did not comply with one of its prescribed policies or procedures even though it did comply with professional standards.

Documentation—The reviewer believes that the work performed in a particular area was not documented but, through inquiry or other means, the reviewer is satisfied that the work was performed.

.04 Number MFCs consecutively (top and bottom) to establish correspondence between top and bottom stub.

.05 MFCs relating to both functional and engagement review areas should be sorted by nature of comment. The review team must consider the pattern and pervasiveness of engagement deficiencies and their implications for compliance with the firm's system of quality control as a whole, in addition to their nature and significance in the specific circumstances in which they were observed. Matter for Further Consideration forms should be summarized to facilitate these considerations. The format of summarization is left to the discretion of the reviewer; however, a summary format is included on page 4903. Reviewers may use this summary format or develop their own.

.06

MATTER FOR FURTHER CONSIDERATION

PROFESSIONAL STANDARDS REFERENCE _____ CONTROL NO. _____
 REVIEWER'S DESCRIPTION OF THE MATTER _____

REVIEWED FIRM AGREES WITH THE DESCRIPTION OF THE MATTER? YES ____ NO ____
 REVIEWED FIRM'S COMMENTS ON CIRCUMSTANCES, SIGNIFICANCE OF MATTER, ETC. _____

TEAM CAPTAIN'S/REVIEWER'S ADDITIONAL COMMENTS _____

Type of Matter:

__ Design __ Performance __ Compliance __ Documentation

FIRM _____ OFFICE CODE NO. _____ CONTROL NO. _____

Signatures

Dates

Engagement Owner _____

Reviewer _____

Team Captain _____

Program Questionnaire

Engagement

Section _____ No. _____

Element _____ Checklist Page _____

Program Step _____ Question _____

.07

SUMMARY OF MATTER FOR FURTHER CONSIDERATION FORMS AND CONCLUSIONS ON THE REVIEW

<i>(Name of Reviewed Firm)</i>						
<i>MFC Number</i>	<i>Reference¹</i>	<i>Brief Description of Matter</i>	<i>Type of Matter²</i>	<i>Quality Control Element</i>	<i>Disposition³</i>	<i>Briefly Explain Reasons</i>

- 1 The reviewer should indicate the program or engagement checklist step that led to the MFC.
- 2 The reviewer should classify each matter discussed on an MFC form as a deficiency relating to either: (a) design, (b) performance, (c) compliance, or (d) documentation.
- 3 The reviewer should indicate how the item affects the results of the review: (a) adverse report, (b) qualified report, (c) LOC finding only, or (d) exit conference only.

[The next page is 5001.]

Section 20,200

General Compilation Engagement Checklist

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Senior _____

Office _____
 Date of Financial Statements* _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting on a:

1. ☐ compiled balance sheet
☐ compiled income sheet
☐ complete set of compiled financial statements
☐ compiled financial statements without statement of cash flows
2. that (include) (omit) substantially all required disclosures and
3. that (include) (do not include) supplementary information.

The financial statements are for an entity that is a (an):

- ☐ independent entity ☐ subsidiary, division or branch
☐ consolidated or combined group ☐ other (explain)

The financial statements cover an (annual) (interim) reporting period.

Date that the fee for the prior engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major lines of business:

Complex or troublesome engagement areas:

Compilation hours on this engagement:

Owner _____
 Manager (or equivalent) _____
 Senior/other professionals _____
 Total this office _____
 Total budgeted _____
 Personnel Continuity:

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

	<i>Owner or Partner</i>	<i>Manager or equivalent</i>
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

Date Engagement
Review Performed _____Date Checklist Reviewed by
Team Captain _____

Reviewer _____

Signature _____

Checklist for Review of a Compilation of Financial Statements

Contents

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Note: This checklist has been updated through SSARS No. 7, SFAS No. 131, and FASB Interpretation No. 42.

Explanation of References

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AR	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Reference to Financial Accounting Standards Board pronouncement
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SOP	AICPA Statement of Position [included in the AICPA <i>Technical Practice Aids</i> (TPA), vol. 2]

I. REPORT AND FINANCIAL STATEMENTS

Note: This is highly summarized checklist taken from the AICPA financial reporting practice aid, *Disclosure Checklists*. Reviewers may wish to consult that checklist for detailed information about the requirements of professional standards and for citations thereto. All "no" answers must be thoroughly explained.

- ☐ If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

For all engagements which omit substantially all disclosures, Section IV should be completed in lieu of Section I.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants' Report					
Does the accountant's report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.15)	C101	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.14 and .39-.41)	C102	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	C103	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP? (AR Secs. 100.20 and 9100.41-.45)	C104	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.43, for CIRAs, see SOP 93-5 [TPA Sec. 11,270] and the Supplemental CIRA Checklist)	C105	_____	_____	_____	_____
Reference to the accountant's report on each page of the financial statements that have been compiled? (AR Sec. 100.16)	C106	_____	_____	_____	_____
All other respects?	C107	_____	_____	_____	_____
Financial Statements and Notes					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	C108	_____	_____	_____	_____
Do the financial statements appear to be free of material error? (AR Sec. 100.13)	C109	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? [AC Sec. A10.105-.108, for an other comprehensive basis of accounting (OCBOA) AR Sec. 100.04 fn4]	C110	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	C111	_____	_____	_____	_____
Comparative financial statements? (AC Sec. F43)	C112	_____	_____	_____	_____
Business combinations? (AC Sec. B50)	C113	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102)	C114	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121-.122)	C115	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk and fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105, .115, and .115A-.115K)	C116	_____	_____	_____	_____
For financial instruments with off-balance sheet risk, are the required disclosures made including distinguishing between instruments held or issued for trading purposes and held or issued for purposes other than trading? (AC Sec. F25.112-.113)	C117	_____	_____	_____	_____
For derivative financial instruments, are the required distinctions made ("trading purposes" and "purposes other than trading") and the required disclosures made for each type? (AC Sec. F25.115L-.115O)	C118	_____	_____	_____	_____
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AC Sec. F25.105G-.105L)	C119	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	C120	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6; TPA Sec. 10,640)	C121	_____	_____	_____	_____
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	C122	_____	_____	_____	_____
Are foreign operations and export sales adequately disclosed? (AC Sec. F65)	C123	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Sec. N35)	C124	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.114)	C125	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation related matters? (AC Secs. C32.102-.105, C59.118-.120, and SOP 96-1)	C126	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .112)	C127	_____	_____	_____	_____
Are the financial statements adjusted where appropriate, and do they disclose uncertainties regarding the entity's ability to continue as a going concern? (AR Sec. 100.40 fn 18 and AU Sec. 341.10-.11)	C128	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are defined benefit pension plans properly accounted for and disclosed? (AC Sec. P16.150)	C129	_____	_____	_____	_____
Are all other pension plans properly accounted for and disclosed? (AC Sec. P16)	C130	_____	_____	_____	_____
Are postretirement plans other than pensions properly accounted for and disclosed? (AC Sec. P40.169)	C131	_____	_____	_____	_____
Are postemployment benefits (after employment but before retirement) properly accounted for and disclosed? (AC Secs. P32 and P40)	C132	_____	_____	_____	_____
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	C133	_____	_____	_____	_____
Do the financial statements, where required, include appropriate disclosures of:					
Employee stock ownership plans (ESOPs)? (SOP 93-6; TPA Sec. 10,580)	C134	_____	_____	_____	_____
Futures contracts? (AC Sec. F80)	C135	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	C136	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	C137	_____	_____	_____	_____

Balance Sheet

Is the accounting appropriate and are the disclosures adequate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)

C138 _____

Valuation allowances? (AC Sec. V18)

C139 _____

Restricted cash, including compensating balances? (AC Secs. B05.107 and C59.120)

C140 _____

Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)

C141 _____

Accounts and Notes Receivable:

 Loans and related origination fees? (AC Sec. L20.104-.106 and .120)

C142 _____

 Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)

C143 _____

 Effects of troubled debt restructurings? (AC Secs. D22.121, .136-.137 and I08)

C144 _____

 Other receivables?

C145 _____

Are the recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
impaired loans, the activity in the allowance for credit losses account, and creditor's income recognition policy disclosed? (AC Sec. I08.118)	C146	_____	_____	_____	_____
Inventories? (AC Secs. B05.105, I78 and for interim financial reporting AC Secs. I73.107 and .109)	C147	_____	_____	_____	_____
Investments accounted for under the equity method? (AC Sec. I82.109-.110)	C148	_____	_____	_____	_____
Property and equipment, including accounting for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of, assets of discontinued operations, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108, I67 and I27)	C149	_____	_____	_____	_____
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.119 and .143-.149)	C150	_____	_____	_____	_____
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets and deferred charges, and their impairment, if applicable? (AC Secs. I08, I27.140, I60, Co2.102-.111, and I27.140-.142)	C151	_____	_____	_____	_____
Pledged assets? (AC Sec. C59.120)	C152	_____	_____	_____	_____
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed to with the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10.101A)	C153	_____	_____	_____	_____
Current liabilities? (AC Sec. B05.108-.109 and .118)	C154	_____	_____	_____	_____
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.117)	C155	_____	_____	_____	_____
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.105)	C156	_____	_____	_____	_____
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1)	C157	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	C158	_____	_____	_____	_____
Effect of troubled debt restructurings? (AC Sec. D22.121-.122)	C159	_____	_____	_____	_____
Effect of early extinguishment of debt? (AC Secs. D14 and I17.104)	C160	_____	_____	_____	_____
Capital leases of lessees? (AC Sec. L10.106 and .112)	C161	_____	_____	_____	_____
Other liabilities and deferred credits, including classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue? (AC Secs. C44.104 and .108 and I27.140)	C162	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Capital stock (number of shares authorized, issued, and outstanding, par or stated value per share, rights and preferences of various classes)?	C163	_____	_____	_____	_____
Treasury stock? (AC Sec. C23)	C164	_____	_____	_____	_____
Stock option and stock purchase plans? (AC Sec. C47)	C165	_____	_____	_____	_____
Stock subscriptions receivable? (EITF 85-1)	C166	_____	_____	_____	_____
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	C167	_____	_____	_____	_____
Changes in stockholders' equity? (AC Secs. Co8.102 and A35.103, .105-.107)	C168	_____	_____	_____	_____
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g. mandatory redeemable preferred stock, TPA Sec. 4110.08)	C169	_____	_____	_____	_____
Income Statement					
Are the important components of the income statement separately disclosed?	C170	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, for example: long-term contracts and real estate transactions? (AC Secs. R10, Co4.110 and Co5)	C171	_____	_____	_____	_____
Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments and losses? (AC Sec. I80)	C172	_____	_____	_____	_____
Application of the equity method? (AC Sec. I82.109)	C173	_____	_____	_____	_____
Advertising costs? (SOP 93-7; TPA Sec. 10,590)	C174	_____	_____	_____	_____
Research and development costs? (AC Sec. R50)	C175	_____	_____	_____	_____
Computer software costs? (AC Sec. Co2.110)	C176	_____	_____	_____	_____
Capitalization of interest costs? (AC Sec. I67)	C177	_____	_____	_____	_____
Discount or premium on notes receivable or payable? (AC Sec. I69.108-.109)	C178	_____	_____	_____	_____
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	C179	_____	_____	_____	_____
Depreciation? (AC Sec. D40)	C180	_____	_____	_____	_____
Compensatory stock issuance plans? (AC Sec. C47)	C181	_____	_____	_____	_____
Deferred compensation agreements? (AC Sec. C38)	C182	_____	_____	_____	_____
Sales transactions in which the buyer has the right to return the product? (AC Sec. R75.107-.109)	C183	_____	_____	_____	_____
Product financing arrangement? (AC Sec. D18.106-.107)	C184	_____	_____	_____	_____
Operating leases and rent expense of lessees? (AC Sec. L10.111-.112)	C185	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Income Taxes:					
The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset? (AC Sec. I27.140–.142)	C186	_____	_____	_____	_____
Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, and adjustments due to changes in tax laws, rates, and tax status? (AC Sec. I27.144)	C187	_____	_____	_____	_____
Components of net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142)	C188	_____	_____	_____	_____
Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts (AC Sec. I27.146)	C189	_____	_____	_____	_____
Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)	C190	_____	_____	_____	_____
Discontinued operations? (AC Sec. I13)	C191	_____	_____	_____	_____
Extraordinary items? (AC Sec. I17)	C192	_____	_____	_____	_____
Unusual or infrequent items, but not both? (AC Sec. I22)	C193	_____	_____	_____	_____

Statement of Cash Flows

Is a statement of cash flows presented for each period for which results of operations are provided (or is the report appropriately modified)? (AC Sec. C25.101)	C194	_____	_____	_____	_____
Does it properly report cash provided or used by investing, financing, and operating activities? (AC Sec. C25.112–.124)	C195	_____	_____	_____	_____
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	C196	_____	_____	_____	_____
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	C197	_____	_____	_____	_____
Are noncash investing and financing activities disclosed? (AC Sec. C25.134)	C198	_____	_____	_____	_____
If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	C199	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	C200	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	C201	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	C202	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the suggested format, statements, and disclosures consistent with the guide?	C203	_____	_____	_____	_____
Summary					
Does it appear that disclosures in the financial statements are reasonably adequate?	C204	_____	_____	_____	_____

II. GENERAL PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Based on inquiry of the accountant or review of engagement files, if any, was an understanding with the client established as to the services to be provided? (Professional standards require the accountant to establish an understanding with the entity, preferably, though not required to be, in writing.) (AR Sec. 100.08)	C205	_____	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, did it appear that the accountant possessed a level of knowledge about the accounting principles and practices of the industry in which the entity operates and possessed a general understanding about the entity's business transactions, the form of its accounting records, the stated qualifications of its accounting personnel, the accounting basis on which the financial statements are to be presented, and the form and content of the financial statements? (AR Sec. 100.10-.12)	C206	_____	_____	_____	_____
If the engagement was originally intended to be an audit or review, rather than a compilation, did the accountant consider (AR Sec. 100.44-.49):					
The reason given for the client's request, particularly the implications of a restriction on the scope of the audit or review, whether imposed by the client or by circumstances?	C207	_____	_____	_____	_____
The additional effort required to complete the audit or review?	C208	_____	_____	_____	_____
The estimated additional cost to complete the audit or review?	C209	_____	_____	_____	_____
Based on inquiry of the accountant or review of the engagement files, if any, does it appear that the accountant read the compiled financial statements and consider whether such financial statements appeared to be appropriate in form and free of obvious material errors? (AR Sec. 100.13)	C210	_____	_____	_____	_____
If the accountant became aware that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory for the purpose of compiling financial statements, did the accountant obtain additional or revised information? (AR Sec. 100.12)	C211	_____	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, have all questions, exceptions or notes posed during the work been followed up and resolved?	C212	_____	_____	_____	_____
If the accountant had become aware that information supplied by the entity was incorrect, incomplete or otherwise unsatisfactory subsequent to the date of the report, did the accountant consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AR Sec. 100.42)	C213	_____	_____	_____	_____
If comparative financial statements have been presented and the accountant's report on the prior period financial statements contains a changed reference to a departure from generally accepted accounting principles, does the current report have an explanatory paragraph indicating the date of the previous report, circumstances or events that caused the reference to be changed, and, if applicable, that the financial statements of the prior period have been changed? (AR Sec. 200.13-.15)	C214	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? If the accountant was not independent, was the report appropriately modified? (ET Sec. 101 and AR Sec. 100.22)	C301	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	C302	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13) (These steps may not be necessary for recurring compilation engagements with no unusual complexity.)					
Based on inquiry of the accountant or review of engagement files, if any, were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	C303	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	C304	_____	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	C305	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Based on inquiry of the accountant or review of engagement files, if any, does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	C306	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17-.19)					
Were the firm's guidelines for engagement performance (such as the form and content of working papers) complied with if the firm has such guidelines?	C307	_____	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, was there appropriate consultation:					
In situations specified by firm policy?	C308	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Where the complexity or unusual nature of the issue warranted it?	C309	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	C310	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	C311	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	C312	_____	_____	_____	_____
Based on inquiry of the accountant or review of the engagement files, if any, does it appear that a difference of opinion between engagement personnel and/or a specialist or other consultant was resolved in accordance with firm policy?	C313	_____	_____	_____	_____

**IV. QUESTIONS FOR USE ON COMPILATION ENGAGEMENTS
THAT OMIT SUBSTANTIALLY ALL DISCLOSURES**

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants' Report					
Does the accountant's report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.15)	C101	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.14, .19-.21, and .39-.41)	C102	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	C103	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP? (AR Secs. 100.20 and 9100.41-.45)	C104	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.43)	C105	_____	_____	_____	_____
Reference to the accountant's report on each page of the financial statements that have been compiled? (AR Sec. 100.16)	C106	_____	_____	_____	_____
All other respects?	C107	_____	_____	_____	_____
Financial Statements					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	C108	_____	_____	_____	_____
Do the financial statements appear to be free of material error? (AR Sec. 100.13)	C109	_____	_____	_____	_____
Is the accounting appropriate for accounting changes? (AC Sec. A06)	C111	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102)	C114	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	C115	_____	_____	_____	_____
Are foreign operations and export sales adequately accounted for? (AC Sec. F35)	C123	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for? (AC Sec. N35)	C124	_____	_____	_____	_____
Are loss contingencies accrued, as appropriate? (AC Sec. C59)	C125	_____	_____	_____	_____
Are the financial statements adjusted for significant subsequent events? (AC Sec. C59.105 and .112)	C127	_____	_____	_____	_____
Are the financial statements adjusted where appropriate regarding the entity's ability to continue as a going concern? (AR Sec. 100.40, fn 18 and AU Sec. 341.10 and .11)	C128	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "No" answers must be explained on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are defined benefit pension plans properly accounted for? (AC Sec. P16.150)	C129	_____	_____	_____	_____
Are all other pension plans properly accounted for? (AC Sec. P16)	C130	_____	_____	_____	_____
Have postemployment and postretirement benefits, other than pensions, been properly accounted for? (AC Secs. P32 and P40)	C132	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	C136	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	C137	_____	_____	_____	_____

Balance Sheet

Is the presentation appropriate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)

C138 _____

Valuation allowances? (AC Sec. V18)

C139 _____

Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)

C141 _____

Effect of troubled debt restructuring? (AC Sec. D22)

C144 _____

Operating and capital leases? (AC Sec. L10)

C150 _____

Other assets, including deferred charges?

C151 _____

Presentation of notes payable and other debt?

C156 _____

Other liabilities, including compensation for future absences? (AC Sec. C44.104-.108)

C162 _____

Treasury stock? (AC Sec. C23)

C164 _____

Income Statement

Are the important components of the income statement separately stated?

C170 _____

Is the accounting appropriate regarding:

Method of income recognition; for example, long-term contracts and real estate transactions? (AC Secs. R10, Co4, and Co5)

C171 _____

Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments and losses presented and disclosed in accordance with the statement? (AC Sec. I80)

C172 _____

Application of equity method? (AC Sec. I82.109)

C173 _____

Depreciation? (AC Sec. D40)

C180 _____

Deferred compensation agreements? (AC Sec. C38)

C182 _____

\$20,200

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accounting for income taxes? (AC Sec. I27)	C186	_____	_____	_____	_____
Discontinued operations? (AC Sec. I13)	C191	_____	_____	_____	_____
Extraordinary items? (AC Sec. I17)	C192	_____	_____	_____	_____
Unusual or infrequent items, but not both? (AC Sec. I22)	C193	_____	_____	_____	_____

Statement of Cash Flows

Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)	C194	_____	_____	_____	_____
Does it properly report cash provided or used by investing, financing, and operating activities? (AC Sec. C25.112-.124)	C195	_____	_____	_____	_____
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	C196	_____	_____	_____	_____
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	C197	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less? (AC Sec. C25.106-.108)	C200	_____	_____	_____	_____
Are the components of the cash flow statements shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	C201	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	C202	_____	_____	_____	_____

Other

If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format and statements consistent with the guide?	C203	_____	_____	_____	_____
If the statements include only a few disclosures in the form of notes, are they labeled as "Selected Information—Substantially All Disclosures Required By Generally Accepted Accounting Principles Are Not Included," as required by SSARS? (AR Sec. 100.19)	C205	_____	_____	_____	_____

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
------------------------	----------------------------	-----------------------------	------------------------------------

Note: Attach additional sheets if required.

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with Statements on Standards for Accounting and Review Services? (ET Sec. 202) YES' ____ NO ____
 - The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the compilation report was not appropriately modified? (AR Sec. 300.04 and ET Sec. 203) YES' ____ NO ____
 - The compilation report was not appropriate in the circumstances? YES' ____ NO ____
 - If engagement deficiencies were noted, was there an indication that:
 - a. The firm did not comply with its policies and procedures on this engagement in all material respects? YES' ____ NO ____
 - b. The firm's policies and procedures are not appropriately designed with respect to this engagement? YES' ____ NO ____
-

[The next page is 20,301.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

Section 20,300

General Review Engagement Checklist

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Senior _____

Office _____
 Date of Financial Statements* _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting on a (an):

- () independent entity () subsidiary, division or branch
 () consolidated or combined group () other (explain)

The financial statements cover an (annual) (interim) reporting period and (do) (do not) include supplemental information.

Date that the fee for the prior engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major line of business: _____

Complex or troublesome engagement areas: _____

Review hours on this engagement:

Owner _____
 Manager (or equivalent) _____
 Senior/other professionals _____
 Total this office _____
 Total budgeted _____
 Personnel Continuity: _____

Owner
or
Partner

Manager
or
equivalent

Number of years assigned to this job _____
 Number of years in current position on the job _____

Date Engagement
Review Performed _____

Date Checklist Reviewed by
Team Captain _____

Reviewer _____

Signature _____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

General Review Engagement Checklist

Contents

<i>Section</i>	<i>Page</i>
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III. Functional Areas	
Independence, Integrity, and Objectivity	20,312
Personnel Management	20,312
Acceptance and Continuance of Clients and Engagements	20,312
Engagement Performance	20,312
IV. Explanation of "No" Answers and Other Comments	20,314
V. Conclusions	20,316

Note: This checklist has been updated through SSARS No. 7, SFAS No. 131, and FASB Interpretation No. 42.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AR	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Reference to Financial Accounting Standards Board pronouncement
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SOP	AICPA Statement of Position [included in the AICPA <i>Technical Practice Aids</i> (TPA), vol. 2]

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist taken from the AICPA financial reporting practice aid, *Disclosure Checklists*. Reviewers may wish to consult that checklist for detailed information about the requirements of professional standards and for citations thereto. All "no" answers must be thoroughly explained.

- ☐ If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Accountants' Report					
Does the accountant's report contain all of the elements required by professional standards and appropriate language for the following:					
Dating of the report in conformity with the requirements of professional standards? (AR Sec. 100.33)	R101	_____	_____	_____	_____
Departures from the basis of accounting used? (AR Sec. 100.32 and .39-.41)	R102	_____	_____	_____	_____
Coverage of all periods for which financial statements are presented? (AR Sec. 200.02)	R103	_____	_____	_____	_____
Disclosure of the basis of accounting for financial statements presented in conformity with a comprehensive basis of accounting other than GAAP? (AR Sec. 9100.41-.45)	R104	_____	_____	_____	_____
The degree of responsibility, if any, the accountant is taking with respect to supplementary information accompanying the basic financial statements? (AR Sec. 100.43, for CIRAs, see SOP 93-5 [TPA Sec. 11,270] and the Supplemental CIRA Checklist)	R105	_____	_____	_____	_____
Reference to the accountant's report on each page of the financial statements that have been reviewed? (AR Sec. 100.34)	R106	_____	_____	_____	_____
All other respects?	R107	_____	_____	_____	_____
Financial Statements and Notes					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	R108	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? [AC Sec. A10.105-.108; for an other comprehensive basis of accounting (OCBOA) AR Sec. 100.04 fn4]	R109	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	R110	_____	_____	_____	_____
Comparative financial statements? (AC Sec. F43)	R111	_____	_____	_____	_____
Business combinations? (AC Sec. B50)	R112	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102)	R113	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the accountant consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	R114	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk and fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105, .115, and .115A-.115K)	R115	_____	_____	_____	_____
For financial instruments with off-balance sheet risk, are the required disclosures made including distinguishing between instruments held or issued for trading purposes and held or issued for purposes other than trading? (AC Sec. F25.112 and .113)	R116	_____	_____	_____	_____
For derivative financial instruments, are the required distinctions made ("trading purposes" and "purposes other than trading") and the required disclosures made for each type? (AC Sec. F25.115L-.115O)	R117	_____	_____	_____	_____
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AC Sec. F25.105G -.105L)	R118	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	R119	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6; TPA Sec. 10,640)	R120	_____	_____	_____	_____
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	R121	_____	_____	_____	_____
Are foreign operations and export sales adequately disclosed? (AC Sec. F65)	R122	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Sec. N35)	R123	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.114)	R124	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation related matters? (AC Secs. C32.102-.105 and C59.118-.120 and SOP 96-1)	R125	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105-.112)	R126	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, and do they disclose uncertainties regarding the entity's ability to continue as a going concern? (AR Sec. 100.40 fn 18 and AU Sec. 341.10 and .11)	R127	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are defined benefit pension plans properly accounted for and disclosed? (AC Sec. P16.150)	R128	_____	_____	_____	_____
Are all other pension plans properly accounted for and disclosed? (AC Sec. P16)	R129	_____	_____	_____	_____
Are post-retirement benefit plans other than pensions properly accounted for and disclosed? (AC Sec. P40.169)	R130	_____	_____	_____	_____
Have postemployment benefits (after employment but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	R131	_____	_____	_____	_____
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	R132	_____	_____	_____	_____
Do the financial statements, where required, include appropriate disclosures of:					
Employee stock ownership plans (ESOPs)? (SOP 93-6, TPA Sec. 10,580)	R133	_____	_____	_____	_____
Futures contracts? (AC Sec. F80)	R134	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	R135	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	R136	_____	_____	_____	_____

Balance Sheet

Is the accounting appropriate and are the disclosures adequate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)

R137 _____

Valuation allowances? (AC Sec. V18)

R138 _____

Restricted cash, including compensating balances? (AC Secs. B05.107 and C59.120)

R139 _____

Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)

R140 _____

Accounts and Notes Receivable:

 Loans and related origination fees? (AC Sec. L20.104-.106 and .120)

R141 _____

 Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)

R142 _____

 Effects of troubled debt restructurings? (AC Secs. D22.121, .136-.137 and I08)

R143 _____

 Other receivables?

R144 _____

\$20,300

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and creditor's income recognition policy disclosed? (AC Sec. I08.118)	R145	_____	_____	_____	_____
Inventories? (AC Secs. B05.105 and I78)	R146	_____	_____	_____	_____
Investments accounted for under the equity method? (AC Secs. I82.109 and .110)	R147	_____	_____	_____	_____
Property and equipment, including accounting for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of, assets of discontinued operations, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108, I67 and I27)	R148	_____	_____	_____	_____
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Secs. L10.119 and .143-.149)	R149	_____	_____	_____	_____
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets, and deferred charges, and their impairment, if applicable? (AC Secs. I08, I27.140, I60, Co2.102-.111, and I27.140-.142)	R150	_____	_____	_____	_____
Pledged assets? (AC Sec. C59.120)	R151	_____	_____	_____	_____
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed with the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10.101A)	R152	_____	_____	_____	_____
Current liabilities? (AC Sec. B05.108, .109, and .118)	R153	_____	_____	_____	_____
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.117)	R154	_____	_____	_____	_____
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.105)	R155	_____	_____	_____	_____
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1)	R156	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	R157	_____	_____	_____	_____
Effect of troubled debt restructurings? (AC Sec. D22.121-.122)	R158	_____	_____	_____	_____
Effect of early extinguishment of debt? (AC Secs. D14 and I17.104)	R159	_____	_____	_____	_____
Capital leases of lessees? (AC Sec. L10.106 and .112)	R160	_____	_____	_____	_____
Other liabilities and deferred credits, including classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue? (AC Secs. C44.104 and .108 and I27.140)	R161	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Capital stock (number of shares authorized, issued and outstanding, par or stated value per share, rights and preferences of various classes)?	R162	_____	_____	_____	_____
Treasury stock? (AC Sec. C23)	R163	_____	_____	_____	_____
Stock option and stock purchase plans? (AC Sec. C47)	R164	_____	_____	_____	_____
Stock subscriptions receivable? (EITF 85-1)	R165	_____	_____	_____	_____
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	R166	_____	_____	_____	_____
Changes in stockholders' equity? (AC Secs. C08.102, and A35.103, .105-.107)	R167	_____	_____	_____	_____
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g., mandatory redeemable preferred stock, TPA Sec. 4110.08)	R168	_____	_____	_____	_____
Income Statement					
Are the important components of the income statement separately disclosed?	R169	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, where appropriate; for example: long-term contracts and real estate transactions? (AC Secs. R10, Co4.110 and Co5)	R170	_____	_____	_____	_____
Realized gains and losses and unrealized holding gains and losses for changes in fair value transfers between categories of investments and losses? (AC Sec. I80)	R171	_____	_____	_____	_____
Application of the equity method? (AC Sec. I82.109)	R172	_____	_____	_____	_____
Advertising costs? (SOP 93-7; TPA Sec. 10,590)	R173	_____	_____	_____	_____
Research and development costs? (AC Sec. R50)	R174	_____	_____	_____	_____
Computer software costs? (AC Sec. Co2.110)	R175	_____	_____	_____	_____
Capitalization of interest costs? (AC Sec. I67)	R176	_____	_____	_____	_____
Discount or premium on notes receivable or payable? (AC Sec. I69.108 and .109)	R177	_____	_____	_____	_____
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	R178	_____	_____	_____	_____
Depreciation? (AC Sec. D40)	R179	_____	_____	_____	_____
Compensatory stock issuance plans? (AC Sec. C47)	R180	_____	_____	_____	_____
Deferred compensation agreements? (AC Sec. C38)	R181	_____	_____	_____	_____
Sales transactions in which the buyer has a right to return the product? (AC Sec. R75.107-.109)	R182	_____	_____	_____	_____
Product financing arrangements? (AC Sec. D18.106 and .107)	R183	_____	_____	_____	_____
Operating leases and rent expense of lessees? (AC Sec. L10.111 and .112)	R184	_____	_____	_____	_____

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Income Taxes:

The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset? (AC Sec. I27.140–142)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
R185	_____	_____	_____	_____

Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, and adjustments due to changes in tax laws, rates, and tax status? (AC Sec. I27.144)

R186	_____	_____	_____	_____
------	-------	-------	-------	-------

Components of the net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142)

R187	_____	_____	_____	_____
------	-------	-------	-------	-------

Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income or loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts) (AC Sec. I27.146)

R188	_____	_____	_____	_____
------	-------	-------	-------	-------

Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)

R189	_____	_____	_____	_____
------	-------	-------	-------	-------

Discontinued operations? (AC Sec. I13)

R190	_____	_____	_____	_____
------	-------	-------	-------	-------

Extraordinary items? (AC Sec. I17)

R191	_____	_____	_____	_____
------	-------	-------	-------	-------

Unusual or infrequent items, but not both?

R192	_____	_____	_____	_____
------	-------	-------	-------	-------

Statement of Cash Flows

Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)

R193	_____	_____	_____	_____
------	-------	-------	-------	-------

Does it properly report cash provided or used by investing, financing and operating activities? (AC Sec. C25.112–124)

R194	_____	_____	_____	_____
------	-------	-------	-------	-------

Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and do the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)

R195	_____	_____	_____	_____
------	-------	-------	-------	-------

Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)

R196	_____	_____	_____	_____
------	-------	-------	-------	-------

Are noncash investing and financing activities disclosed? (AC Sec. C25.134)

R197	_____	_____	_____	_____
------	-------	-------	-------	-------

If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)

R198	_____	_____	_____	_____
------	-------	-------	-------	-------

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	R199	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	R200	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	R201	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format, statements, and disclosures consistent with the guide?	R202	_____	_____	_____	_____
Summary					
Does it appear that disclosures in the financial statements are reasonably adequate?	R203	_____	_____	_____	_____

II. GENERAL REVIEW PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Based on inquiry of the accountant or review of engagement files, if any, was an understanding with the client established as to the services to be provided? (Professional standards require the accountant to establish an understanding with the entity, preferably, though not required to be, in writing.) (AR Sec. 100.08)	R204	_____	_____	_____	_____
Based on inquiry of the accountant or review of engagement files, if any, did it appear that the accountant possessed a level of knowledge about the accounting principles and practices of the industry in which the entity operates and possessed a general understanding about the entity's business? (AR Sec. 100.24-26)	R205	_____	_____	_____	_____
If the engagement was originally intended to be an audit, rather than a review of financial statements, did the accountant consider (AR Sec. 100.44-49):					
The reason given for the client's request, particularly the implications of a restriction on the scope of the audit, whether imposed by the client or by circumstances?	R206	_____	_____	_____	_____
The additional audit effort required to complete the audit?	R207	_____	_____	_____	_____
The estimated additional cost to complete the audit?	R208	_____	_____	_____	_____
Did the accountant's inquiries and analytical procedures consist of the following (AR Sec. 100.27):					
Inquiries concerning the entity's accounting principles and practices and the methods followed in applying them?	R209	_____	_____	_____	_____
Inquiries concerning the entity's procedures for recording, classifying, and summarizing transactions, and accumulating information for disclosure in the financial statements?	R210	_____	_____	_____	_____
Analytical procedures designed to identify relationships and individual items that appear to be unusual?	R211	_____	_____	_____	_____
Inquiries concerning actions taken at meetings of stockholders, board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements?	R212	_____	_____	_____	_____
Reading the financial statements to consider, on the basis of information coming to the accountant's attention, whether the financial statements appear to conform with generally accepted accounting principles?	R213	_____	_____	_____	_____
Obtaining reports from other accountants, if any, who have been engaged to audit or review the financial statements of significant components of the reporting entity, its subsidiaries, and other investees?	R214	_____	_____	_____	_____
Inquiries of persons having responsibility for financial and accounting matters concerning (1) whether the financial statements have been prepared in conformity with generally accepted account-					

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
ting principles consistently applied, (2) changes in the entity's business activities or accounting principles and practices, (3) matters as to which questions have arisen in the course of applying the foregoing procedures, and (4) events subsequent to the date of the financial statements that would have a material effect on the financial statements?	R215	_____	_____	_____	_____
If the accountant became aware that information that came to the accountant's attention was incorrect, incomplete, or otherwise unsatisfactory, did the accountant perform additional procedures as deemed necessary to achieve limited assurance that there were no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles? (AR Sec. 100.30)	R216	_____	_____	_____	_____
Do the accountant's working papers adequately reflect (AR Sec. 100.31):					
The matters covered in the accountant's inquiry and analytical procedures?	R217	_____	_____	_____	_____
Unusual matters that were considered during the performance of the review, including their disposition?	R218	_____	_____	_____	_____
Did the accountant obtain a representation letter from members of management whom the accountant believes are responsible for and knowledgeable, directly or through others in the organization, about the matters covered in the representation letter? (AR Sec. 100.28)	R219	_____	_____	_____	_____
If any circumstances were encountered by the accountant that precluded the accountant from performing inquiries and analytical procedures as deemed necessary or the client did not provide the accountant with a representation letter (AR Sec. 100.36):					
Did the accountant consider whether these circumstances would have resulted in an incomplete review?	R220	_____	_____	_____	_____
Did the accountant consider whether these same circumstances would also preclude him/her from issuing a compilation report?	R221	_____	_____	_____	_____
Do such determinations by the accountant appear to be proper?	R222	_____	_____	_____	_____
If there is an indication that the accountant became aware that information supplied by the entity was incorrect, incomplete or otherwise unsatisfactory subsequent to the date of the report, did the accountant consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AR Sec. 100.42)	R223	_____	_____	_____	_____
If comparative financial statements have been presented and the prior period accountant's report on the prior period financial statements contains a changed reference to a departure from generally accepted accounting principles, does the current report have an explanatory paragraph indicating the date of the previous report, circumstances or events that caused the reference to be changed and, if applicable, that the financial statements of the prior period have been changed? (AR Sec. 200.13-.15)	R224	_____	_____	_____	_____

III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A[*]</u>	<u>Yes</u>	<u>No</u>	<u>Ref.^{**}</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101)	R301	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to perform segments of the engagement? (AU Sec. 543.10)	R302	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	R303	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	R304	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	R305	_____	_____	_____	_____
Based on inquiry of the accountant or review of the engagement files, did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	R306	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Based on inquiry of the accountant or review of the engagement files, does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	R307	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17-.19)					
Did the owner (or manager) approve the overall engagement plan (including the engagement program) as the final planning step and convey approval or modifications to the engagement staff?	R308	_____	_____	_____	_____
Does it appear that involvement by the owner and manager was both adequate and appropriately timed to provide for planning and supervision as the job progressed?	R309	_____	_____	_____	_____
Were the firm's guidelines for engagement performance (such as the form and content of working papers) complied with if the firm has such guidelines?	R310	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

^{*} The N/A column should be used when the item either does not exist or is not material.

^{**} All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on inquiry of the accountant or review of the engagement files, was there appropriate consultation:					
In situations specified by firm policy?	R311	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	R312	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	R313	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	R314	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	R315	_____	_____	_____	_____
Based on inquiry of the accountant or review of the engagement files, does it appear that a difference of opinion between engagement personnel and/or a specialist or other consultant was resolved in accordance with firm policy?	R316	_____	_____	_____	_____

IV. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments*</u>
------------------------	----------------------------	-----------------------------	-------------------------------------

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
------------------------	----------------------------	-----------------------------	------------------------------------

Note: Attach additional sheets if required.

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V. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. **BE SPECIFIC.**

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with Statements on Standards for Accounting and Review Services? (ET Sec. 202) YES' ____ NO ____
- The financial statements did not conform with generally accepted accounting principles (or, where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the review report was not appropriately modified? (ET Sec. 203) YES' ____ NO ____
- The review report was not appropriate in the circumstances? YES' ____ NO ____
- The documentation on this engagement does not evidence compliance with professional standards? YES' ____ NO ____
- If engagement deficiencies were noted, was there an indication that:
 - a. The firm did not comply with its policies and procedures on this engagement in all material respects? YES' ____ NO ____
 - b. The firm's policies and procedures are not appropriately designed with respect to this engagement? YES' ____ NO ____

[The next page is 20,401.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

Section 20,400

General Audit Engagement Checklist

ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Date of Financial Statements* _____
 Manager _____ Date of Report _____
 Concurring Reviewer _____ Date Report Released _____

Is this an SEC audit client? Yes ___ No ___

Is the client a part of other related groups? Yes ___ No ___

This engagement involves reporting on:

- | | |
|---|--|
| <input type="checkbox"/> financial statements (single entity) | <input type="checkbox"/> special report |
| <input type="checkbox"/> consolidated financial statements | <input type="checkbox"/> interim reviews |
| <input type="checkbox"/> combined financial statements | <input type="checkbox"/> reportable conditions—material weaknesses |
| <input type="checkbox"/> subsidiary, division or branch | <input type="checkbox"/> other (explain) |

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total assets \$ _____
 Equity \$ _____
 Net sales \$ _____
 Net income \$ _____

Major line of business: _____

Complex or troublesome audit areas: _____

List any non-audit (excluding tax) services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report:

Personnel Continuity:

	Owner or Partner	Manager or equivalent
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

Audit hours on this engagement:

	<u>Total</u>	<u>Prior to Commencement of Field Work</u>	<u>During Field Work</u>	<u>After Completion of Field Work</u>
Owner or Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Concurring Reviewer**	_____	_____	_____	_____
Senior/Other Professionals	_____	_____	_____	_____
Total this office	=====	=====	=====	=====

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is a judgment call; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, IV, and VII should be answered in addition to the questions in Section V for the key areas identified, and for commitments and contingencies, income and expenses, and other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Date Checklist Reviewed by Team Captain _____

Reviewer _____

Signature _____

** Not applicable on reviews of non-SEC clients unless required by firm policy.

Checklist for Review of Audit Engagements

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Note: This checklist has been updated through SAS No. 82, FAS No. 131, and FASB Interpretation No. 42.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force pronouncement
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncement
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SECPS	SEC Practice Section Reference Manual
SOP	AICPA Statement of Position (included in the AICPA <i>Technical Practice Aids</i> (TPA), vol. 2)
TPA	AICPA <i>Technical Practice Aids</i>

Note: Because of the financial assistance that HUD projects receive, the HUD auditor must be fully aware of and comply with *Government Auditing Standards* (1994 revision), referred to as the "Yellow Book."

Reviewers of engagements involving HUD projects should use the *Supplemental Checklist for Review of Audits of HUD Engagements* (Section 22,080).

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist taken from the AICPA financial reporting practice aid, *Disclosure Checklists*. All "no" answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Report					
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .28 and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report in the circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A103	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A104	_____	_____	_____	_____
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 "for required supplementary information")	A105	_____	_____	_____	_____
For special reports, have professional standards been complied with regarding:					
Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? (AU Sec. 623.01-.10)	A106	_____	_____	_____	_____
Specified elements, accounts or items of a financial statement? (AU Sec. 623.11-.18)	A107	_____	_____	_____	_____
Compliance with aspects of agreements or regulatory requirements related to audited financial statements? (AU Sec. 623.19-.21)	A108	_____	_____	_____	_____
Financial presentations to comply with contractual agreements or regulatory provisions? (AU Sec. 623.22-.30)	A109	_____	_____	_____	_____
Financial information in prescribed forms or schedules (AU Sec. 623.32 and .33)	A110	_____	_____	_____	_____
For reports on financial statements of a U.S. entity that have been prepared in conformity with accounting principles generally accepted					

* The N/A column should be used when the item either does not exist or is not material.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
in another country for use outside the United States, has there been compliance with professional standards? (AU Sec. 534)	A111	_____	_____	_____	_____
Financial Statements and Notes					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24)	A112	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? (AC Sec. A10.105-.108; for OCBOA, AU Sec. 623.09 and .10)	A113	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	A114	_____	_____	_____	_____
Comparative financial statements? (AC Sec. F43)	A115	_____	_____	_____	_____
Business combinations? (AC Sec. B50)	A116	_____	_____	_____	_____
Are all majority-owned subsidiaries consolidated in the financial statements, unless consolidation is specifically not required by professional standards? (AC Sec. C51.102 and .103)	A117	_____	_____	_____	_____
If an individual or entity controls a group of related entities, did the auditor consider whether combined financial statements may be more meaningful? (AC Sec. C51.121 and .122)	A118	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk, and if required, about fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105, .115, and .115A-.115K)	A119	_____	_____	_____	_____
For financial instruments with off-balance sheet risk, are the required disclosures made including distinguishing between instruments held or issued for trading purposes and held or issued for purposes other than trading? (AC Sec. F25.112 and .113)	A120	_____	_____	_____	_____
For derivative financial instruments, are the required distinctions made ("trading purposes" and "purposes other than trading") and the required disclosures made for each type? (AC Sec. F25.115L-.115O)	A121	_____	_____	_____	_____
Are transfers of financial assets, the servicing of financial assets and the extinguishment of liabilities properly accounted for and disclosed? (AC Secs. F35.102, .108, and F38.103-.109)	A122	_____	_____	_____	_____
Are required disclosures made concerning related-party transactions? (AC Sec. R36)	A123	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6; TPA Sec. 10,640)	A124	_____	_____	_____	_____
Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? (AC Sec. F60)	A125	_____	_____	_____	_____
Are foreign operations and export sales adequately accounted for? (AC Sec. F65)	A126	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Secs. C11.102 and N35)	A127	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.114)	A128	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation-related matters? (AC Secs. C32.102-.105 and C59.116-.120; SOP 96-1, pars. 142-173)	A129	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .112 and AU Secs. 560.01-.09 and 561)	A130	_____	_____	_____	_____
Have defined benefit pension plans been properly accounted for and disclosed? (AC Sec. P16.150 and .187)	A131	_____	_____	_____	_____
Have other pension plans been properly accounted for and disclosed? (AC Sec. P16)	A132	_____	_____	_____	_____
Have postretirement plans other than pensions been properly accounted for and disclosed? (AC Sec. P40.169)	A133	_____	_____	_____	_____
Have postemployment benefits (after employment, but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	A134	_____	_____	_____	_____
If the entity is or has been a "development stage enterprise," are adequate disclosures made? (AC Sec. De4.105-.109)	A135	_____	_____	_____	_____
Do the financial statements, where required, include appropriate presentations of:					
Employee stock ownership plans (ESOPs)? (SOP 93-6, TPA Sec. 10,580)	A136	_____	_____	_____	_____
Futures contracts? (AC Sec. F80)	A137	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	A138	_____	_____	_____	_____
If a quasi-reorganization or corporate readjustment has occurred, has the proper accounting been applied and is the new retained earnings account dated? (AC Sec. Q15)	A139	_____	_____	_____	_____

Balance Sheet

Is the accounting appropriate and are the disclosures adequate regarding:

Segregation of assets and liabilities, if applicable, into current and noncurrent classifications? (AC Sec. B05)	A140	_____	_____	_____	_____
Valuation allowances? (AC Sec. V18)	A141	_____	_____	_____	_____
Restricted cash (e.g., compensating balances)? (AC Secs. B05.107 and C59.120)	A142	_____	_____	_____	_____
Classification of debt and equity securities as held-to-maturity (debt securities only), trading, or available-for-sale, and presentation of unrealized holding gains and losses on available-for-sale securities in a separate component of shareholders' equity? (AC Sec. I80.103-.110)	A143	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accounts and Notes Receivable:					
Loans and related origination fees? (AC Sec. L20.104-.106 and .120)	A144	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A145	_____	_____	_____	_____
Effect of troubled debt restructurings? (AC Sec. D22.136 and .137)	A146	_____	_____	_____	_____
Other receivables?	A147	_____	_____	_____	_____
The recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and the creditor's income recognition policy? (AC Sec. I08.118)	A148	_____	_____	_____	_____
Inventories? (AC Secs. B05.105 and I78)	A149	_____	_____	_____	_____
Investments accounted for under the equity method? (AC Sec. I82.109 and .110)	A150	_____	_____	_____	_____
Property and equipment, including accounting for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of, assets of discontinued operations, investment credit, and capitalized interest? (AC Secs. D40.105, I08.122-.138, I13.108, I67, and I27)	A151	_____	_____	_____	_____
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.119 and .143-.149)	A152	_____	_____	_____	_____
Other assets, including intangible assets, unamortized computer software costs, deferred tax assets and deferred charges, and their impairment, if applicable? (AC Secs. I08, I27.140-.143, I60, and Co2.102-.110)	A153	_____	_____	_____	_____
Pledged assets? (AC Sec. C59.120)	A154	_____	_____	_____	_____
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed with the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10)	A155	_____	_____	_____	_____
Current liabilities? (AC Sec. B05.108, .109, and .118)	A156	_____	_____	_____	_____
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.117, .138, and .139)	A157	_____	_____	_____	_____
Notes payable and other debt:					
Maturities and rates? (AC Sec. C32.105)	A158	_____	_____	_____	_____
Other terms and covenants? (AC Sec. C59.120; SOP 97-1, par. 17)	A159	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A160	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Effect of troubled debt restructurings? (AC Sec. D22.121-.122)	A161	_____	_____	_____	_____
Effect of early extinguishment of debt? (AC Secs. D35 and I17.104)	A162	_____	_____	_____	_____
Maturities and sinking fund requirements for the next five years? (AC Sec. C32.105)	A163	_____	_____	_____	_____
Capital leases of lessees? (AC Sec. L10.106 and .112)	A164	_____	_____	_____	_____
Other liabilities and deferred credits, including environmental remediation liabilities, classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees and deferred revenue? (AC Secs. C44.104 and .108 and I27.140 and SOP 96-1, Chs. 5 and 6)	A165	_____	_____	_____	_____
Capital stock (number of shares authorized, issued and outstanding, par or stated value per share, rights and preferences of various classes)?	A166	_____	_____	_____	_____
Treasury stock? (AC Sec. C23)	A167	_____	_____	_____	_____
Stock option and stock purchase plans? (AC Sec. C47)	A168	_____	_____	_____	_____
Stock subscriptions receivable? (EITF 85-1)	A169	_____	_____	_____	_____
Retained earnings, including appropriations thereof and restrictions on dividends? (AC Secs. C59.120 and R70.103)	A170	_____	_____	_____	_____
Changes in stockholders' equity? (AC Secs. C08.102 and A35.103, .105 and .107)	A171	_____	_____	_____	_____
Redemption requirements on capital stock for the next five years? (AC Secs. C24.106 and C32.105; for redemption requirements outside of the issuer's control, e.g. mandatory redeemable preferred stock, TPA Sec. 4110.08)	A172	_____	_____	_____	_____

Income Statement

Are the important components of the income statement separately disclosed?	A173	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Method of income recognition, where appropriate, for example: long-term contracts and real estate transactions? (AC Secs. R10 and Co5)	A174	_____	_____	_____	_____
Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments? (AC Sec. I80)	A175	_____	_____	_____	_____
Application of the equity method? (AC Sec. I82.109)	A176	_____	_____	_____	_____
Advertising costs? (SOP 93-7; TPA Sec. 10,590)	A177	_____	_____	_____	_____
Research and developmental costs? (AC Sec. R50)	A178	_____	_____	_____	_____
Computer software costs? (AC Sec. Co2.110)	A179	_____	_____	_____	_____
Capitalization of interest costs? (AC Sec. I67)	A180	_____	_____	_____	_____
Discount or premium on notes receivable or payable? (AC Sec. I69.108-.109)	A181	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Recognition of impairment of long-lived assets? (AC Sec. I08.122-.138)	A182	_____	_____	_____	_____
Depreciation? (AC Sec. D40)	A183	_____	_____	_____	_____
Compensatory stock issuance plans? (AC Sec. C47)	A184	_____	_____	_____	_____
Deferred compensation agreements? (AC Sec. C38)	A185	_____	_____	_____	_____
Sales transactions in which the buyer has a right to return the product? (AC Sec. R75.107-.109)	A186	_____	_____	_____	_____
Product financing arrangements? (AC Sec. D18.106-.107)	A187	_____	_____	_____	_____
Operating leases and rent expenses of lessees? (AC Sec. L10.111-.112)	A188	_____	_____	_____	_____
Income taxes:					
The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset? (AC Sec. I27.140-.142)	A189	_____	_____	_____	_____
Significant components of income tax expense, including the current tax expense or benefit, deferred tax expense or benefit, investment tax credits, government grants that reduce income tax expense, the benefits of operating loss carryforwards, adjustments due to changes in tax laws, rates, tax status, and the income tax expense or benefit allocated to each component of other comprehensive income? (AC Sec. I27.144 and FAS 130, pars. 24 and 25)	A190	_____	_____	_____	_____
Components of the net deferred tax liability or asset including, if present, the total of all deferred tax liabilities, total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance? (AC Sec. I27.142 and .143)	A191	_____	_____	_____	_____
Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income or loss from continuing operations? (A nonpublic company needs to disclose the nature of such items; a public company also needs to include a reconciliation using percents or amounts) (AC Sec. I27.146)	A192	_____	_____	_____	_____
Amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? (AC Sec. I27.147)	A193	_____	_____	_____	_____
Discontinued operations? (AC Sec. I13)	A194	_____	_____	_____	_____
Extraordinary items? (AC Sec. I17)	A195	_____	_____	_____	_____
Unusual or infrequent items, but not both? (AC Sec. I22)	A196	_____	_____	_____	_____
If the enterprise has adopted FAS 130, <i>Reporting Comprehensive Income</i> , (effective for fiscal years beginning after December 15, 1997) and if it has both net income and other comprehensive income, are total comprehensive income and the components of other comprehensive income displayed appropriately in a primary financial statements? (FAS 130, pars. 14-27)	A197	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Statement of Cash Flows					
Is a statement of cash flows presented for each period for which results of operations are provided? (AC Sec. C25.101)	A198	_____	_____	_____	_____
Does it report cash provided or used by investing, financing and operating activities? (AC Sec. C25.112-.124)	A199	_____	_____	_____	_____
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and did the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (AC Sec. C25.124)	A200	_____	_____	_____	_____
Does it provide a reconciliation between net income and net cash flow from operating activities? (AC Sec. C25.127)	A201	_____	_____	_____	_____
Are noncash investing and financing activities disclosed? (AC Sec. C25.134)	A202	_____	_____	_____	_____
If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.127)	A203	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	A204	_____	_____	_____	_____
Do the financial statements avoid reporting cash flow per share amounts? (AC Sec. C25.135)	A205	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	A206	_____	_____	_____	_____
Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification, and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? (AC Sec. I80.117)	A207	_____	_____	_____	_____
Other					
If the industry in which the client is operating is covered by an AICPA audit and accounting guide, are the format, statements, and disclosures consistent with the guide?	A208	_____	_____	_____	_____
Do the financial statements, where required, include appropriate presentation and disclosure of:					
Segment information? (FAS 131, pars. 16, 25, and 39)	A209	_____	_____	_____	_____
Earnings per share information? (AC Secs. E09 and E11)	A210	_____	_____	_____	_____

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II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
In planning the audit engagement, did the auditor properly consider:					
Matters affecting the industry in which the entity operates, such as accounting practices, economic conditions, laws and government regulations, and technological changes? (AU Secs. 311.03 and 801.11)	A300	_____	_____	_____	_____
Matters affecting the entity's business, such as organization and types of products and services and contractual obligations? (AU Sec. 311.03 and .04)	A301	_____	_____	_____	_____
Preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.08)	A302	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), did the auditor:					
Make an assessment of the risk of material misstatements of the financial statements, including the risk that errors, irregularities and illegal acts may cause the financial statements to be materially misstated? (AU Secs. 312.12, 316A.05, and 317.05)	A303	_____	_____	_____	_____
Assess the risk of management misrepresentation by reviewing information obtained about risk factors and internal control? (AU Sec. 316A.12)	A304	_____	_____	_____	_____
Design the audit to provide reasonable assurance of detecting errors and irregularities and direct-effect illegal acts that could be material to the financial statements? (AU Secs. 316A.05 and 317.05)	A305	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997):					
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors in the categories stated in paragraphs 16 and 18 of SAS No. 82, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present?	A306	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response?	A307	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing and extent of audit procedures? (AU Sec. 329.01 and .06)	A308	_____	_____	_____	_____
If the auditor succeeded another auditor, did the auditor:					
Communicate with the predecessor auditor to ascertain whether there were disagreements between the predecessor auditor and the					

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client? (AU Sec. 315.03 and .06)	A309	_____	_____	_____	_____
Obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year. (AU Sec. 315.08)	A310	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322)	A311	_____	_____	_____	_____
Did the auditor:					
Obtain a sufficient understanding of the entity's internal control, including whether electronic evidential matter may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-.10, and 326.18)	A312	_____	_____	_____	_____
Document the understanding of internal control? (AU Sec. 319.44)	A313	_____	_____	_____	_____
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A314	_____	_____	_____	_____
Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A315	_____	_____	_____	_____
If the entity transmits, processes, maintains, or accesses significant information by electronic means and it is not practical or possible to reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statement assertions, did the auditor perform tests of controls? (AU Sec. 326.14)	A316	_____	_____	_____	_____
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the processing of the client's transactions and internal control? (AU Sec. 324.07-.10)	A317	_____	_____	_____	_____
If the auditor decides to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, or were tests of the client's controls over the activities of the service organization performed by the auditor? (AU Sec. 324.14-.16)	A318	_____	_____	_____	_____
If the engagement included the use of the work (domestic or international) of another office, correspondent or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A319	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A320	_____	_____	_____	_____
Was there appropriate follow-up of open matters? (AU Sec. 311)	A321	_____	_____	_____	_____
In those cases where another firm was used, were appropriate inquiries made regarding its independence and professional reputation? (AU Sec. 543.10)	A322	_____	_____	_____	_____
If a specialist was used (e.g. actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336.06-.11)	A323	_____	_____	_____	_____
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A324	_____	_____	_____	_____
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA Industry Audit Guide)	A325	_____	_____	_____	_____
Was the audit program responsive to the needs of the engagement and the understanding of internal control, including whether electronic evidential matter may only exist for a specified period of time, obtained during the planning process? (AU Secs. 311.05, 319.02, and .05)	A326	_____	_____	_____	_____
Was consideration given to the applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A327	_____	_____	_____	_____
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A328	_____	_____	_____	_____
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339)	A329	_____	_____	_____	_____
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A330	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A331	_____	_____	_____	_____
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A332	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A333	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was the documentation of the foregoing considerations in accordance with firm policy?	A334	_____	_____	_____	_____
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
Does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A335	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A336	_____	_____	_____	_____
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A337	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A338	_____	_____	_____	_____
In evaluating whether the financial statements taken as a whole may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications? (AU Sec. 350.30)	A339	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	_____	_____	_____	_____
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A341	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A342	_____	_____	_____	_____
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A343	_____	_____	_____	_____
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334)	A344	_____	_____	_____	_____
Did the auditor obtain written timely and appropriate representations from management and was the representation letter properly dated? (AU Sec. 333)	A345	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entity's attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08-.14)	A346	_____	_____	_____	_____
Have all questions, exceptions, or notes been followed up and resolved?	A347	_____	_____	_____	_____
Was appropriate consideration given to passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A348	_____	_____	_____	_____

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If SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), did the auditor:

Follow up on errors and irregularities in accordance with professional standards? (AU Sec. 316A.22-.29)

Ques. N/A Yes No Ref.

A349

Consider the implications for other aspects of the audit of an audit adjustment that the auditor has determined is, or may be, an irregularity and has either determined that the effect could be material or has been unable to evaluate the materiality? (AU Sec. 316A.25)

A350

Obtain assurance that the audit committee or others with equivalent authority and responsibility had been adequately informed of all but clearly inconsequential irregularities identified during the engagement? (AU Sec. 316A.28)

A351

If SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, was effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997):

If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indicative of fraud and evaluate the implications involved as described in paragraphs 34-36 of SAS No. 82?

A352

Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented?

A353

If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements?

A354

When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)?

A355

If SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997) and the

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up in accordance with professional standards? (AU Secs. 317.10-.11)	A356	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A357	_____	_____	_____	_____
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention, except those that are clearly inconsequential, were adequately communicated? (AU Sec. 317.17)	A358	_____	_____	_____	_____
[Applicable only to audits of companies that report under the Securities and Exchange Act of 1934]: Report to the board of directors as soon as practicable when the auditor has concluded that (a) the illegal act has a material effect on the financial statements, (b) senior management has not taken, and the board has not caused it to take, timely and appropriate remedial actions, and (c) the failure to take remedial action is reasonably expected to warrant departure from the standard auditor's report, when made, or warrant resignation from the audit engagement? (Private Securities Reform Act of 1995)	A359	_____	_____	_____	_____
If the answer to A359 is "Yes," and if the auditor did not receive, within one business day after giving the report, a copy of the notice the client sent to the SEC notifying it of the report, did the auditor furnish a copy of its report (or documentation of an oral report) to the SEC within one additional business day? (Private Securities Reform Act of 1995)	A360	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A361	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be implemented effectively? (AU Sec. 341.03(b))	A362	_____	_____	_____	_____
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with the mitigating factors? (AU Sec. 341.11)	A363	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicates the auditor's substantial doubt (i.e., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13)	A364	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
During the performance of the audit:					
If the auditor identified reportable conditions, were they communicated to the audit committee, management and others within the organization in a time frame influenced by the relative significance of the matters noted and urgency of corrective action(s), and the communication was oral, was it documented in the working papers? (AU Sec. 325.09 and .18)	A365	_____	_____	_____	_____
Do the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A366	_____	_____	_____	_____
If a report was issued on reportable conditions, did it indicate that the purpose of the audit was to report on the financial statements and not to provide assurance on internal control, and did it include the definition of reportable conditions and the restriction on distribution? (AU Sec. 325.11)	A367	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a written representation stating that no reportable conditions were noted during an audit? (AU Sec. 325.17)	A368	_____	_____	_____	_____
If the auditor was engaged to prepare or perform procedures on interim financial information filed with a specified regulatory agency and the auditor became aware of matters that caused the auditor to believe such information was probably materially misstated as a result of a departure from generally accepted accounting principles, did the auditor make the appropriate communication? (AU Sec. 722.20 and .21):	A369	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A370	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date that might have affected the report, had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 561)	A371	_____	_____	_____	_____
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A372	_____	_____	_____	_____
Where there is an audit committee or some other formal oversight group, or the client is an SEC client, did the auditor:					
Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A373	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the communication was in writing, include a statement that it was intended solely for the use of the audit committee or the board of directors, and if appropriate, management? (AU Sec. 380.03)	A374	_____	_____	_____	_____
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03)	A375	_____	_____	_____	_____

III. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. In addition, the Commitments and Contingencies, Revenue and Expenditure/Expenses, and Other sections must always be completed.

In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a key area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As indicated on page 20,402, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restriction on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	_____	_____	_____	_____
If confirmation work was performed prior to year end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date? (AU Sec. 313)	A409	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a significant number and amount of the accounts receivable selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)	A410	_____	_____	_____	_____
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A411	_____	_____	_____	_____
Were the results of confirmation and alternative procedures summarized and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A412	_____	_____	_____	_____
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A413	_____	_____	_____	_____
Were adequate tests of discounts and allowances made?	A414	_____	_____	_____	_____
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned, or otherwise encumbered?	A416	_____	_____	_____	_____
Was receivable work coordinated with the tests of revenue, including cut-off tests?	A417	_____	_____	_____	_____
Were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107), and recognition of related interest income? (AC Secs. I69 and F25.115A-.115K)	A418	_____	_____	_____	_____
If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)	A419	_____	_____	_____	_____
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding one year, notes receivable and other loans) are carried at the present value of the loans' expected future cash flows discounted at the loans' effective interest rates, or at observable market prices, or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. I08.111)	A420	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____
Inventories					
<input type="checkbox"/> Not a key area					
Where the physical inventory is taken at a date other than the balance-sheet date (or where rotating procedures are used), do the working papers indicate that consideration was given to inventory activities between the inventory date(s) and the balance-sheet date? (AU Sec. 313.08 and .09)	A422	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers contain evidence that counts were correctly made and recorded (i.e., was control over inventory tags or count sheets maintained and were test count quantities reconciled with the counts reflected in the final inventory)? (AU Sec. 331.09)	A423	_____	_____	_____	_____
Were physical inventories observed at all locations where material amounts are located?	A424	_____	_____	_____	_____
Where physical inventory in the hands of others was not observed, were inventory confirmations received and/or other appropriate procedures performed (e.g., inventory in public warehouses, on consignment, etc.)? (AU Sec. 331.14)	A425	_____	_____	_____	_____
If perpetual inventory records are maintained, do the working papers indicate that differences disclosed by the physical inventory (or cycle counts) are properly reflected in the accounts?	A426	_____	_____	_____	_____
Do the working papers indicate that there were adequate tests of:					
The clerical accuracy of the inventory?	A427	_____	_____	_____	_____
Costing methods and substantiation of costs used in pricing all elements (raw materials, work in progress, finished goods) of the inventory?	A428	_____	_____	_____	_____
Were the results of inventory observations and other tests summarized and were appropriate conclusions drawn?	A429	_____	_____	_____	_____
Where LIFO is used, did the auditor consider whether the client's LIFO techniques are generally consistent with those in the AICPA's issues paper on LIFO? (File 3175 November 30, 1984)	A430	_____	_____	_____	_____
Do the working papers indicate that consideration was given to whether the inventory was carried at lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	_____	_____	_____	_____
Were inquiries concerning purchase and sales commitments made, including consideration of any possible adverse effects?	A432	_____	_____	_____	_____
Were appropriate inventory cut-off tests performed?	A433	_____	_____	_____	_____
Do the working papers indicate that steps were performed to determine if any inventory is pledged?	A434	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of inventory appear adequate? (AU Secs. 312 and 319 and AC Sec. I78)	A435	_____	_____	_____	_____
Investments					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared (or obtained) and details examined with respect to the description, purchase price and date, changes during the period, income, etc., of investments? (AU Sec. 322.23)	A436	_____	_____	_____	_____
Were securities either examined or confirmed? (AU Sec. 332.04)	A437	_____	_____	_____	_____
Were market quotations or other evidence of the current value of investments inspected? (AU Sec. 322.24-.30)	A438	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor consider whether the enterprise's investment activities corroborated or conflicted with management's stated intent for investments and where applicable, whether the enterprise has the ability to hold a debt security to maturity? (AU Sec. 322.09)	A439	_____	_____	_____	_____
Did the auditor obtain written representations from management confirming that the enterprise has properly classified securities as held-to-maturity, trading, or available-for-sale, and with respect to held-to-maturity securities, that management has the intent and the entity has the ability to hold such investments to maturity? (AU Sec. 322.11)	A440	_____	_____	_____	_____
Was the computation of realized and unrealized gains and losses tested by the auditor?	A441	_____	_____	_____	_____
Do the working papers reflect that consideration was given to the appropriateness of the carrying values of securities and their classification? (AC Sec. I80)	A442	_____	_____	_____	_____
Was consideration given to the possible impairment of the carrying value of investments that are classified as held-to-maturity or available-for-sale? (AU Sec. 332.03 and EITF 85-39)	A443	_____	_____	_____	_____
Do the working papers indicate that consideration was given to investments that were pledged, restricted, or had limitations on their marketability?	A444	_____	_____	_____	_____
For investments accounted for on the equity method, were financial statements and other information reviewed to support the amounts presented or the note disclosures made? (AU Sec. 332.13-22)	A445	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A446	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepaid expenses?	A447	_____	_____	_____	_____
Intangible assets? (AC Sec. I60)	A448	_____	_____	_____	_____
Deferred charges?	A449	_____	_____	_____	_____
Other?	A450	_____	_____	_____	_____
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A451	_____	_____	_____	_____
Were reviews made of the continuing value and possible impairment of goodwill and other intangible assets? (AC Sec. I60)	A452	_____	_____	_____	_____
If insurance policies were pledged as collateral or subjected to premium financing, did the auditor consider whether the accounting for the related loans was appropriate? (AC Sec. I69)	A453	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A454	_____	_____	_____	_____

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Property, Plant and Equipment☐ Not a key area

Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period and ending balances for:

Property, plant and equipment?

Ques. N/A Yes No Ref.

A455

Accumulated depreciation?

A456

Do the tests appear adequate and were proper conclusions drawn with respect to:

Additions (e.g., by examining supporting documents and/or physical inspection)?

A457

Retirements, etc. (including examining miscellaneous income, scrap sales)?

A458

The adequacy of the current and accumulated provisions for depreciation and depletion?

A459

Consideration of asset impairment including the status of idle facilities? (AC Sec. I08.122-.130)

A460

Do the working papers indicate that the auditor considered whether property was subject to liens?

A461

Based on the assessment of inherent and control risks, do the substantive tests of property, plant and equipment appear adequate? (AU Secs. 312 and 319)

A462

Liabilities☐ Not a key area

Were accounts payable tested adequately for existence?

A463

Was an adequate search performed for unrecorded liabilities at the balance sheet date?

A464

Was the payables work coordinated with the testing of the purchases cut off?

A465

Was consideration given to expenses that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, postemployment benefits provided to former or inactive employees prior to retirement), and to whether the accrued expenses were reasonably stated? (AC Secs. P16, C44, P32, and P40)

A466

Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?

A467

Were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107), and recognition of related interest expense? (AC Secs. I69 and F25.115A-.115K)

A468

Do the working papers indicate that the auditor reviewed compliance with the covenants of the enterprise's debt obligations?

A469

Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)

A470

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Deferred Credits					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that:					
The basis of deferring income is reasonable and consistent from year to year?	A471	_____	_____	_____	_____
Deferrals have been established on a reasonable basis?	A472	_____	_____	_____	_____
Income Taxes					
<input type="checkbox"/> Not a key area					
Were the current and deferred tax accrual accounts and related provisions analyzed and appropriate auditing procedures applied?	A473	_____	_____	_____	_____
Were adequate auditing procedures performed regarding the adequacy of the valuation allowance related to any deferred tax assets?	A474	_____	_____	_____	_____
Do the working papers contain evidence that, in determining the adequacy of the income tax accruals and provisions, appropriate consideration was given to possible adjustments required for:					
Tax positions taken by the client that might be challenged by the taxing authorities and/or other tax contingencies?	A475	_____	_____	_____	_____
Possible assessments, penalties or interest, including similar adjustments to years not yet examined?	A476	_____	_____	_____	_____
Based upon the review of the financial statements and working papers, and if necessary, discussions with engagement personnel, does it appear that substantive tax matters applicable to this engagement were given adequate consideration?	A477	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the stockholders, board of directors, and executive and other committees of the board?	A478	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases, and correspondence from taxing and other governmental agencies, and similar documents?	A479	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A480	_____	_____	_____	_____
Inquiries of and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A481	_____	_____	_____	_____
Procedures regarding other contingent liabilities (such as buy/sell agreements) or guarantees?	A482	_____	_____	_____	_____
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A483	_____	_____	_____	_____
Was appropriate consideration given to issues related to known environmental matters? (SOP 96-1, pars. 104-119 and 175)	A484	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Capital Accounts					
<input type="checkbox"/> Not a key area					
Were changes in capitalization checked to authorizations?	A485	_____	_____	_____	_____
If applicable, was confirmation received from the registrar, or was examination made of stock certificate records?	A486	_____	_____	_____	_____
Do the working papers indicate that there were adequate inquiries and review of applicable documents, if necessary, regarding stock options, warrants, rights, redemptions and conversion privileges?	A487	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of the capital accounts appear adequate? (AU Secs. 312 and 319)	A488	_____	_____	_____	_____
Income and Expenses					
Were tests of payrolls, including account distribution, made where appropriate?	A489	_____	_____	_____	_____
Do the tests of the pension and profit sharing (including the effects of ERISA) expenses and liabilities appear adequate? (AC Sec. P16)	A490	_____	_____	_____	_____
Were appropriate analytical procedures used in substantive tests of revenue and expenses for the period? (AU Sec. 329)	A491	_____	_____	_____	_____
Was adequate consideration given to:					
The client's revenue recognition policy? (AC Sec. A10.105)	A492	_____	_____	_____	_____
Income recognition on transactions where the earnings process was not complete?	A493	_____	_____	_____	_____
Unusual sales transactions?	A494	_____	_____	_____	_____
Income recognition when the right of return exists? (AC Sec. R75.105-.109)	A495	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests (analytical procedures and tests of details) of revenue and expenses appear adequate? (AU Sec. 319)	A496	_____	_____	_____	_____
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (AC Sec. L10)	A497	_____	_____	_____	_____
Were appropriate procedures applied regarding accompanying information (AU Sec. 551.06 and .08) and/or "required supplementary information" (AU Sec. 558)?	A498	_____	_____	_____	_____
Review of Interim Financial Information:					
Were appropriate procedures performed? (AU Sec. 722.12-.19)	A499	_____	_____	_____	_____
If required by firm policy, was a checklist containing the procedures used?	A500	_____	_____	_____	_____
If consolidated statements are presented:					
Have intercompany balances and transactions been eliminated? (AC Sec. C51.109)	A501	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the financial reporting periods of one or more subsidiaries differ from that of the parent, was recognition given to the effects of intervening events that materially affect financial position, results of operations or cash flows? (AC Sec. C51.107)	A502	_____	_____	_____	_____
Was appropriate consideration given to the carrying value of long-term contracts in relation to their contract prices, estimated costs to complete, and degree of completion? (SOP 81-1, pars. 78-.89; TPA Sec. 10,330.78-.89)	A503	_____	_____	_____	_____
Did the auditor determine whether contributions made were recognized as expenses in the period made and measured at the fair values of the assets given, or if made in the form of a settlement or cancellation of a donee's liabilities, at the fair value of the liabilities canceled? (AC Sec. C67.114)	A504	_____	_____	_____	_____
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers?	A505	_____	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	A605	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A607	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	A608	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A609	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A610	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17-.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A611	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A612	_____	_____	_____	_____
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A613	_____	_____	_____	_____
Does it appear that hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A614	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	A615	_____	_____	_____	_____
Review of internal control:					
Manual system?	A616	_____	_____	_____	_____
IT system?	A617	_____	_____	_____	_____
Audit work programs?	A618	_____	_____	_____	_____
Financial statement disclosures?	A619	_____	_____	_____	_____
Working paper and financial statement reviews?	A620	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A621	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A622	_____	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A623	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A624	_____	_____	_____	_____
Was there appropriate consultation and documentation:					
In situations specified by firm policy?	A625	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	A626	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	A627	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	A628	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A629	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A630	_____	_____	_____	_____

V. AUDITS OF SEC ENGAGEMENTS
(As defined in §1000.38 of the SECPS Reference Manual)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
If required by firm policy, was an SEC checklist or other specialized checklist used?	A701	_____	_____	_____	_____
Did the disclosures conform with SEC requirements?	A702	_____	_____	_____	_____
Did the auditor, prior to consenting to the inclusion of his or her report in a registration statement (including when a Form 10-K is incorporated by reference into a previously filed registration statement):					
Read the entire prospectus and other pertinent portions of the registration statement? (AU Sec. 711)	A703	_____	_____	_____	_____
Inquire of and obtain written representations from management about whether any events had occurred that had a material effect on the audited financial statements or that should have been disclosed to keep those financial statements from being misleading? (AU Sec. 711)	A704	_____	_____	_____	_____
Perform the procedures described in AU 560.12?	A705	_____	_____	_____	_____
Was an owner/partner assigned as the audit partner in charge of the engagement? (SECPS Sec. 1000.08f)	A706	_____	_____	_____	_____
Was a concurring review by an owner/partner other than the audit partner in charge of the engagement conducted prior to the issuance of the report, in conformity with the firm's requirements? (SECPS Sec. 1000.08f)	A707	_____	_____	_____	_____
If a concurring partner review was performed:					
Was the review conducted by an owner/partner with sufficient technical expertise and experience?	A708	_____	_____	_____	_____
Were the nature, extent, and timing of the review procedures adequate in the circumstances?	A709	_____	_____	_____	_____
Did the engagement files contain evidence that the firm's policies and procedures for the concurring review were complied with?	A710	_____	_____	_____	_____
Was the concurring partner review effective?	A711	_____	_____	_____	_____
If a comfort letter to an underwriter was issued, is it in accordance with professional standards? (AU Sec. 634)	A712	_____	_____	_____	_____
Have letters of comments or oral comments received from the SEC or other regulatory agencies been appropriately considered?	A713	_____	_____	_____	_____
Has there been rotation of the audit partner in charge of the engagement, if applicable, in conformity with the requirements of the SEC practice section? (SECPS Sec. 1000.08e)	A714	_____	_____	_____	_____
If management consulting services were performed during the year under audit, was the firm in compliance with the Section's requirements:					

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Proscribing the performance of certain management consulting services? (SECPS 1000.08h)	A715	_____	_____	_____	_____
Requiring an annual report to the audit committee or board of directors of the client describing the types of such services rendered and the amount of the related fees received? (Such matters may be reported orally; if so, is the communication documented in the working papers?) (SECPS Sec. 1000.08i)	A716	_____	_____	_____	_____
If the client-auditor relationship with an SEC registrant subsequently ceased, was the Office of the Chief Accountant of the SEC notified within 5 business days, in conformity with the requirements of the SEC Practice Section? (SECPS Sec. 1000.08m)	A717	_____	_____	_____	_____
If the client-auditor relationship with an SEC registrant subsequently ceased, has the auditor sent a letter within the required timeframe to the registrant stating whether he or she agrees with the statements made by the registrant on the Form 8-K regarding the change in auditors? (See Regulation S-K, Item 304—Changes in and disagreements with accountants on accounting and financial disclosure.)	A718	_____	_____	_____	_____

VI. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement partner or owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
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* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

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<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
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<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments</i>
			\$20,400

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
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VII. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards? (AU Sec. 390 and ET Sec. 202) YES ☐ NO ☐
- The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects, and the auditor's report was not appropriately modified? (AU Sec. 561 and ET Sec. 203) YES ☐ NO ☐
- The auditor's report was not appropriate in the circumstances? YES ☐ NO ☐
- The documentation on this engagement does not support the firm's opinion on the financial statements? YES ☐ NO ☐
- The firm did not comply with its policies and procedures on this engagement in all material respects? YES ☐ NO ☐

[The next page is 20,501.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–89 in the *SEC Practice Section Reference Manual*.

Section 20,500

Governmental Audit Engagement Checklist

Instructions for Use of Checklist for Review of Audit Engagements of State or Local Governmental Entities, Including Those Receiving Federal Financial Assistance

This checklist was developed for use by reviewers of audits of state and local governments, including those entities that receive federal financial assistance. It should be used in conjunction with other guidance materials issued to implement the peer review program of the AICPA and the SEC Practice Section. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of state and local governmental units. This checklist can be used in reviewing the audit of the general purpose financial statements, the comprehensive annual financial report, or component unit financial statements. The reviewer, however, should recognize that this checklist does not address certain items contained in the comprehensive annual financial report, such as the introductory section and nonfinancial statistical information. Guidance regarding auditor's reports on such items may be found in the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*, Chapters 18 and 19, and appendix A. Presentation guidance may be found in the GASB's Codification of Governmental Accounting and Financial Reporting Standards, sections 2200–2800.

The questions have been derived principally from relevant pronouncements of the Auditing Standards Board, the Governmental Accounting Standards Board, the U.S. General Accounting Office's *Government Auditing Standards* (1994 Revision) (the "Yellow Book"), and the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* (1996 edition). The guidance in the 1996 edition of the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*, among other things, includes conforming changes for GASB Nos. 24–30.

This checklist contains three appendixes. Appendix A is devoted solely to the unique requirements of *Government Auditing Standards*. Appendix A should be completed for engagements performed in accordance with those standards. Appendixes B and C are devoted to requirements for single audits of governmental entities that are recipients of federal financial assistance. Appendix B encompasses the requirements for single audits for years before June 30, 1997 and is based on the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Appendix C encompasses the requirements for single audits for years ended on or after June 30, 1997 and is based on the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Either Appendix B or Appendix C should be completed for each engagement that includes a single audit. Single audit engagements are also subject to *Government Auditing Standards*. Thus, whenever either Appendix B or Appendix C is applicable, Appendix A should also be completed.

This checklist does not include the reporting requirements addressed in the 1998 Statement of Position (SOP), *Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards*. It is recommended that the reviewer use the guidance included in this SOP as needed.

For HUD projects for years ending prior to June 30, 1997, reviewers should utilize the *Supplemental Checklist for Review of Audits of HUD Engagements* in addition to the governmental or general audit checklist. For HUD projects for years ending on or after June 30, 1997, reviewers of governmental HUD engagements should use

this checklist, reviewers of not-for-profit HUD engagements should use the *Not-for-Profit Audit Engagement Checklist*, and reviewers of for profit HUD engagements should use the general audit checklist and the *Supplemental Checklist for Review of Audits of HUD Engagements*. It is also suggested that for years ended on or after June 30, 1997, for a program specific audit or an audit of compliance requirements, reviewers should use the *Supplemental Checklist for Review of Audits of HUD Engagements*.

To assist the reviewer in summarizing "no" answers in the *Checklist for Reviews of Audit Engagements*, a column has been added containing sequential numbers referring to each question. Question numbers prefixed with the letter "A," such as "A101," refer to questions so numbered in the *Checklist for Review of Audit Engagements*. Question numbers prefixed with the letter "G," such as "G101," refer to questions on matters unique to governmental entities. Reviewers should prepare a summary of "no" answers on engagements for each office reviewed. It may be helpful to classify comments as those relating to design, performance, compliance-membership, compliance-other, and documentation.

Reviewers may adapt this checklist to fit specific engagements.

Note: This checklist has been updated through SAS No. 82, SFAS No. 131, FASB Interpretation 42, GASB No. 31, and the GAO's *Government Auditing Standards* (1994 Revision) referred to as the "Yellow Book."

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
ASLGU	AICPA Audit and Accounting Guide <i>Audits of State and Local Governmental Units</i> (1996 edition)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force Abstracts
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
GAO	<i>Government Auditing Standards</i> (1994 Revision), United States General Accounting Office
GASB	<i>Codification of Governmental Accounting and Financial Reporting Standards</i> (as of June 30, 1996)
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SECPS	SEC Practice Section Reference Manual
SOP	AICPA Statement of Position (SOPs may be found in AICPA <i>Technical Practice Aids</i> (TPA), vol. 2)

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Concurring Reviewer" _____

Office _____
 Date of Financial Statements* _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting on:

- | | |
|---|---|
| <input type="checkbox"/> Comprehensive Annual Financial Report (CAFR) | <input type="checkbox"/> Special Reports |
| <input type="checkbox"/> General Purpose Financial Statements (GPFS) | <input type="checkbox"/> Other (e.g., Program Specific Audit Requirement) Explain: |
| <input type="checkbox"/> Primary Government Only Financial Statements | <input type="checkbox"/> Internal Control and Compliance (pursuant to the Single Audit Act) |
| <input type="checkbox"/> Component Unit Financial Statements (CUFS) | |

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total combined governmental fund type revenues (Memorandum total) . \$ _____
 Total combined proprietary fund type revenues (Memorandum total) . . . \$ _____
 Total combined assets (Memorandum total) \$ _____
 Total amount of federal assistance received*** \$ _____

General description of audited entity: _____

Complex or troublesome audit areas: _____

List any non-audit (excluding tax) services performed for the client during the period being reported upon and through the date of the auditor's report.

Personnel

Personnel Continuity:

	<i>Owner or Partner</i>	<i>Manager or equivalent</i>
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

Audit hours on this engagement:

	<i>Total</i>	<i>Prior to Commencement of Field Work</i>	<i>During Field Work</i>	<i>After Completion of Field Work</i>
Owner/Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Concurring Reviewer"	_____	_____	_____	_____
Senior/Other Professionals	_____	_____	_____	_____
Total this office	=====	_____	_____	_____
Total budgeted	_____	_____	_____	_____

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Not applicable unless required by firm policy.

*** This amount should include "pass through" federal assistance received indirectly from another state or local government.

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LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is a judgment call; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, IV and VII should be answered in addition to the questions in Section III for the key areas identified and for Commitments and Contingencies, Revenues and Expenditures/Expenses, and Other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Reviewer _____

Date Checklist Reviewed by
Team Captain _____

Signature _____

Checklist for Review of Audit Engagements of State or Local Governmental Entities

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I. REPORT AND FINANCIAL STATEMENTS

Note: This checklist is derived from the pronouncements of the Governmental Accounting Standards Board (GASB), the U.S. General Accounting Office (GAO) and the AICPA. For detailed information concerning these requirements, the reviewer may wish to consult the authoritative literature of the above noted organizations as well as the AICPA financial reporting aid, *Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units*. All "no" answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Reports					
Does (do) the auditor's report(s) on the general purpose or primary government only financial statements include all required matters concerning the financial position and results of financial operations of the governmental unit and cash flows of proprietary and nonexpendable trust funds? (AU Sec. 508 and ASLGU, Ch. 18)	G101	_____	_____	_____	_____
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .28, and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report for circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A103	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A104	_____	_____	_____	_____
If the financial statements were prepared in conformity with the requirements of a governmental regulatory agency and are intended solely for filing with that regulatory agency, has a paragraph been included which restricts the use of the report solely to those within the entity and for filing with the regulatory agency? (AU Sec. 623.05)	G102	_____	_____	_____	_____
If the financial statements were prepared in conformity with the requirements of a governmental regulatory agency and the report is intended for distribution other than solely for filing with that regulatory agency, does the report consist of the standard form of report appropriately modified for departures from generally accepted accounting principles and include an additional paragraph expressing an opinion on conformity with the prescribed basis of accounting?	G103	_____	_____	_____	_____
If supplemental information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 for "required supplementary information")	A105	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

Financial Statements and Notes**General**

Are the financial statements suitably titled? (AU Sec. 623.07 and .24 and GASB Sec. 2200.109)

A112 _____

Do the financial statements conform with the provisions of GASB Statement No. 29 that requires the use of the governmental model for non-profit financial statements and that proprietary activities that adopt paragraph 7 of GASB Statement No. 20 should only adopt FASB statements that apply to business enterprises?

G104 _____

Are the following general purpose or component unit financial statements presented:

Combined balance sheet—all fund types, account groups, and discretely presented component units? (GASB Sec. 2200.108b.(2)(a))

G105 _____

Combined statement of revenues, expenditures, and changes in fund balances—all governmental fund types and discretely presented component units? (GASB Sec. 2200.108b.(2)(b))

G106 _____

Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—general and special revenue fund types (and similar governmental fund types of the primary government for which annual budgets have been legally adopted)? (GASB Sec. 2200.108b.(2)(c))

G107 _____

Combined statement of revenues, expenses, and changes in retained earnings (or equity)—all proprietary fund types and discretely presented component units? (GASB Sec. 2200.108b.(2)(d))

G108 _____

Combined statement of cash flows—all proprietary fund types and discretely presented component units? (GASB Sec. 2200.108b.(2)(e))

G109 _____

Do the combined financial statements contain all funds and account groups that comprise the reporting entity, as defined in the notes? (GASB Sec. 2100)

G110 _____

If totals by account are presented in the general purpose financial statements, are the totals noted as memorandum only? (GASB Sec. 2200.117)

G111 _____

If the auditor is expressing an opinion on summarized comparative information of the prior period, does the prior period's information contain sufficient detail to constitute a fair presentation in conformity with generally accepted accounting principles? (AU Sec. 508.74 and ASL GU, Ch. 18, pars. 18.19–18.33)

G112 _____

Do interfund receivables reconcile with interfund payables? (GASB Secs. 1800.102–.108, 2600.120, and .121)

G113 _____

Are interfund operating transfers reported in the "Other Financing Sources" section in the Statement of Revenues and Expenditures and residual equity transfers reported as additions or deductions from beginning fund balances? (GASB Sec. 1800.107)

G114 _____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are special assessment receivables offset by deferred revenue when appropriate? (GASB Sec. S40.115)	G115	_____	_____	_____	_____
Are taxes and other similar receivables appropriately recorded and disclosed net of uncollectible receivables? (GASB Sec. P70 and ASLGU, Ch. 8, pars. 8.08–8.16)	G116	_____	_____	_____	_____
For current and advance debt refundings of proprietary activities, has the difference between the reacquisition price and the net carrying amount of the old debt been deferred and amortized as a component of interest expense in a systematic and rational manner over the appropriate time period? (GASB Sec. D20.109)	G117	_____	_____	_____	_____
If separate financial statements of a component unit are issued, is the relationship of the component unit to the reporting or oversight entity disclosed? (GASB Sec. 2600.128)	G118	_____	_____	_____	_____
If a general fund is presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G119	_____	_____	_____	_____
Are significant sources of general fund revenues disclosed? (GASB Secs. 1800.115 and 2200.114)	G120	_____	_____	_____	_____
Are expenditures classified by function? (GASB Sec. 1800.116–.117)	G121	_____	_____	_____	_____
If special revenue funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G122	_____	_____	_____	_____
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.121)	G123	_____	_____	_____	_____
If debt service funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G124	_____	_____	_____	_____
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.121)	G125	_____	_____	_____	_____
If capital project funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1600.105)	G126	_____	_____	_____	_____
Do the statements disclose the significant revenues and expenditures? (GASB Sec. 1800.114–.121)	G127	_____	_____	_____	_____
If enterprise funds are presented:					
Are the statements prepared on the accrual basis? (GASB 1600.126)	G128	_____	_____	_____	_____
Is the enterprise fund's liability for general obligation and special assessment debt, if any, included in the enterprise fund's financial statements? (GASB Sec. S40.123)	G129	_____	_____	_____	_____
Are operating and nonoperating revenues and expenses separately classified? (GASB Sec. 1800.122 and ASLGU Ch. 9, pars. 9.17 and 9.18)	G130	_____	_____	_____	_____
Are property, plant and equipment properly reported on the balance sheet? (GASB Sec. 1400.102 and .103)	G131	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If internal service funds are presented:					
Are the statements prepared on the accrual basis? (GASB Sec. 1600.126)	G132	_____	_____	_____	_____
Do the financial statements present the net billings to other funds as revenues and the related costs as expenses? (GASB Sec. 1800.103 and .104)	G133	_____	_____	_____	_____
Are property, plant and equipment properly reported on the balance sheet? (GASB Sec. 1400.102 and .103)	G134	_____	_____	_____	_____
If nonexpendable and/or pension funds are presented:					
Are the statements prepared on the accrual basis? (GASB Sec. 1600 and ASLGU, Ch. 14, pars. 14.09 and 14.10)	G135	_____	_____	_____	_____
If agency funds are presented:					
Are the balance sheets prepared on the modified accrual basis? (GASB Sec. 1100.108(c))	G136	_____	_____	_____	_____
If expendable trust funds are presented:					
Are the statements prepared on the modified accrual basis? (GASB Sec. 1100.108(c))	G137	_____	_____	_____	_____
Do the financial statements disclose the significant revenues and expenditures of each fund? (GASB Sec. 1800.114-.121)	G138	_____	_____	_____	_____
If a general fixed assets account group is presented:					
Are land, buildings, equipment, and construction-in-progress separately classified? (ASLGU, Ch. 10, par. 10.20)	G139	_____	_____	_____	_____
Where general fixed assets are depreciated, does the statement show the accumulated depreciation? (GASB Sec. 1400.118)	G140	_____	_____	_____	_____
If a general long-term debt account group is presented:					
Are general obligation term bonds and serial bonds separately disclosed? (GASB Sec. 1500.105)	G141	_____	_____	_____	_____
Are other long-term liabilities (accrued vacation, leases, workers' compensation, landfill closure and postclosure care costs, etc.) separately disclosed? (GASB Sec. 1500.111-.125)	G142	_____	_____	_____	_____
Does the ending fund balance of the debt service fund agree with Amount Available for Debt Service in the General Long-Term Debt Account Group? (GASB Sec. 1500.105)	G143	_____	_____	_____	_____
If component units are used:					
Are component units properly reported as blended or discrete? (GASB Sec. 2600.107-.113 and .115-.117)	G144	_____	_____	_____	_____
Have all discretely presented component units been reported in a separate column or columns to the right of all funds and account groups of the primary government? (GASB Sec. 2600.107, .108, and .111)	G145	_____	_____	_____	_____
Is the use of the term "reserve" limited to indicating that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use? (GASB Sec. 1800.123 and .124)	G146	_____	_____	_____	_____

\$20,500

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the governmental funds long-term loans receivable offset by a reserve of fund balance? (GASB Sec. 1800.123 and ASLGU, Ch. 12, par. 12.12)	G147	_____	_____	_____	_____
Are amounts of any excesses of expenditures over appropriations at the legal level of budgetary control in individual funds disclosed? (GASB Sec. 2300.106n)	G148	_____	_____	_____	_____
Questions G149 through G174 should be answered only if the combining or individual fund financial statements are presented as primary financial statements. The reviewer should evaluate if the fund statements were complete in presentation for each fund or account group. (GASB Sec. 2200)					
Are the following financial statements presented, if necessary:					
General fund:					
Balance sheet?	G149	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balance?	G150	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances—budget vs. actual? ¹	G151	_____	_____	_____	_____
Special revenue funds:					
Balance sheet?	G152	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balance?	G153	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances—budget vs. actual? ¹	G154	_____	_____	_____	_____
Debt service funds:					
Balance sheet?	G155	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances?	G156	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances—budget vs. actual? ¹	G157	_____	_____	_____	_____
Capital project funds:					
Balance sheet?	G158	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances?	G159	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances—budget vs. actual? ¹	G160	_____	_____	_____	_____
Enterprise funds:					
Balance sheet?	G161	_____	_____	_____	_____
Statement of revenues, expenses and changes in retained earnings?	G162	_____	_____	_____	_____
Statement of cash flows?	G163	_____	_____	_____	_____
Internal service funds:					
Balance sheet?	G164	_____	_____	_____	_____

¹ This question is applicable for those funds required to adopt an annual budget.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Statement of revenues, expenses and changes in retained earnings?	G165	_____	_____	_____	_____
Statement of cash flows?	G166	_____	_____	_____	_____
Nonexpendable and pension trust funds:					
Balance sheet?	G167	_____	_____	_____	_____
Statement of revenues, expenses and changes in fund balances?	G168	_____	_____	_____	_____
Statement of cash flows? ²	G169	_____	_____	_____	_____
Agency funds:					
Balance sheet?	G170	_____	_____	_____	_____
Combining statement of changes in assets and liabilities, if appropriate?	G171	_____	_____	_____	_____
Expendable trust funds:					
Balance sheet?	G172	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances?	G173	_____	_____	_____	_____
Statement of revenues, expenditures and changes in fund balances—budget vs. actual? ³	G174	_____	_____	_____	_____
If required, is a statement of changes in general fixed assets presented? (GASB Sec. 2200.109b.(4)(a))	G175	_____	_____	_____	_____
If required, is a statement of changes in general long-term debt presented? (GASB Sec. 2200.109b.(4)(b))	G176	_____	_____	_____	_____
Other Note Disclosures					
Are the presentations appropriate and are the disclosures adequate regarding the following significant accounting policies:					
Definition of the governmental reporting entity and the criteria used to determine the scope of the reporting entity? (GASB Sec. 2600.124)	G177	_____	_____	_____	_____
Policy regarding use of FASB pronouncements for proprietary activities? (GASB Sec. P80.105 and GASB Statement No. 29)	G178	_____	_____	_____	_____
Are individual component unit disclosures included within the General Purpose Financial Statements, as well as a brief description of the component units, their relationship to the primary government and how the separate financial statements for the individual component units may be obtained? (GASB Sec. 2600.114 and .124)	G179	_____	_____	_____	_____
Basis of accounting applied to each fund type? (GASB Sec. 1600)	G180	_____	_____	_____	_____
Revenue recognition policies, including:					
Definitions of modified accrual basis as to governmental fund types and of accrual basis as to proprietary fund types? (GASB Secs. 1600.102–.105 and 2300.901)	G181	_____	_____	_____	_____

² GASB Statement No. 9 does not require a statement of cash flows by pension trust funds.

³ This question is applicable for those funds required to adopt an annual budget.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Description of revenue sources that are treated as "susceptible to accrual" (e.g., property tax revenues and taxpayer assessed tax revenues) under the modified accrual basis and those that are not? (GASB Sec. 1600.106-.125)	G182	_____	_____	_____	_____
Accounting for fixed assets concerning:					
Classification in proprietary funds or general fixed assets account group? (GASB Sec. 1400.102-.106)	G183	_____	_____	_____	_____
Valuation basis of fixed assets, including capitalization policies for public domain (infrastructure) general fixed assets? (GASB Sec. 1400.109 and .111-.113)	G184	_____	_____	_____	_____
Depreciation methods and lives, including whether depreciation is reported on general fixed assets? (GASB Sec. 1400.114-.123)	G185	_____	_____	_____	_____
Capitalization of interest costs during construction? (GASB Sec. 2300.106a and ASL GU, Ch. 10, par. 10.21)	G186	_____	_____	_____	_____
Method of accounting and reporting for encumbrances? (GASB Sec. 2300.106a)	G187	_____	_____	_____	_____
Claims and judgments? (GASB Sec. C50)	G188	_____	_____	_____	_____
Interfund eliminations not apparent? (GASB Sec. 2300.107(p))	G189	_____	_____	_____	_____
Long-term liabilities related to proprietary funds, nonexpendable trust and pension funds, and special assessment debt? (Long-term liabilities expected to be repaid from governmental funds are accounted for in the General Long-Term Debt Account Group.) (GASB Sec. 1500)	G190	_____	_____	_____	_____
Significant accounting policies? (GASB Secs. 2200.110 and 2300.108-.110)	G191	_____	_____	_____	_____
Basis on which each budget is prepared, including:					
Treatment of encumbrances? (GASB Sec. 2300.106a.(3))	G192	_____	_____	_____	_____
Whether appropriations lapse at year end? (GASB Sec. 1700.129d-e)	G193	_____	_____	_____	_____
Explanation of the differences, if any, between the budgetary basis and the basis used for financial reporting of governmental funds? (GASB Secs. 2400.104, .111-.123, and 2300.107(e))	G194	_____	_____	_____	_____
Separate summary of significant accounting policies for discrete presentations? (GASB, Secs. 2300.106a(1) and (7), and 2600.124-.126)	G195	_____	_____	_____	_____
Nature of the primary government's accountability for related organizations? (GASB Sec. 2600.131)	G196	_____	_____	_____	_____
Are the presentations appropriate and are disclosures adequate regarding the following:					
Classified balance sheets, where appropriate? (AC Sec. B05)	G197	_____	_____	_____	_____
Condensed financial statements for major discretely presented component units? (GASB Sec. 2600.114)	G198	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accounting changes? (AC Sec. A06)	A114	_____	_____	_____	_____
Pension activities, employer reporting? (GASB Sec. 2300.106g and .107q, P20; or GASB Statement No. 27 which is effective for periods beginning after June 15, 1997 with early implementation encouraged)	G199	_____	_____	_____	_____
Postemployment benefits other than pensions—employer reporting? (GASB Sec. P50.105–.107)	G200	_____	_____	_____	_____
Pension funds, reporting by plans? (GASB Secs. 2300, 107q, Pe5, and Pe6)	G201	_____	_____	_____	_____
Deferred compensation plans adopted under IRC 457? (GASB Sec. D25, pars. 109 and 113)	G202	_____	_____	_____	_____
Securities lending transactions? (GASB Sec. I60.103–.114)	G203	_____	_____	_____	_____
Public entity risk pools? (GASB Sec. Po20)	G204	_____	_____	_____	_____
Related party transactions? (GASB Sec. 2300.107(g))	A123	_____	_____	_____	_____
Nonmonetary transactions? (GASB Sec. 1400.113 and AC Sec. N35)	A127	_____	_____	_____	_____
Segment information for enterprise funds? (GASB Sec. 2500.105 and .107)	G205	_____	_____	_____	_____
Capital leases of lessees? (GASB Sec. 2300.107(i) and L20.113–.115, .117, .118, .128, and .129)	G206	_____	_____	_____	_____
Operating leases and rent expense of lessees? (GASB Secs. 2300.106j and L20.114 and .115)	G207	_____	_____	_____	_____
Detail of the government's property tax calendar, including the lien, levy, due and collection dates? (GASB Sec. P70.109)	G208	_____	_____	_____	_____
Material noncompliance with finance-related legal and contractual provisions, including instances concerning budget amendments, expenditures exceeding appropriations in individual funds and debt exceeding legal limitations? (GASB Secs. 2300.106h and n and L20.119)	G209	_____	_____	_____	_____
Valuation allowances? (AC Sec. V18)	A141	_____	_____	_____	_____
Restricted cash (e.g., compensating balances)? (ASL GU Ch. 7, par. 7.14 and AC Secs. B05.107 and C59.120)	A142	_____	_____	_____	_____
Deposits with financial institutions and investments, including risk categories, uninsured deposits, and other disclosures required by professional standards? (GASB Sec. 2300.106b and c)	G210	_____	_____	_____	_____
Definition of cash and cash equivalents consistent with GASB Statement No. 9? (GASB Sec. 2450.106b)	G211	_____	_____	_____	_____
The amount of total bank balance classified into the three categories of credit risk? (GASB Sec. C20.106)	G212	_____	_____	_____	_____
The carrying amount and fair value of investments as of balance-sheet date by investment type and in total with types of investments classified into the three categories of credit risk? (GASB Sec. I50.164)	G213	_____	_____	_____	_____

\$20,500

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For derivatives and similar debt and investment transactions, (i) discussion of the accounting policies and other relevant information, (ii) explanation of the nature of the transactions, and (iii) the reasons for entering into them? (GASB, Sec. 2300.601)	G214	_____	_____	_____	_____
Terms or circumstances concerning repurchase or reverse repurchase agreements? (GASB Secs. 2300.106c, .107v, I50, I55)	G215	_____	_____	_____	_____
Receivables:					
Loans or advances to other funds of the governmental units? (GASB Sec. 1300.110)	G216	_____	_____	_____	_____
Taxes receivable? (GASB Sec. P70.103)	G217	_____	_____	_____	_____
Grant entitlements and other receivables? (GASB Sec. G60.112)	G218	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A145	_____	_____	_____	_____
Effects of troubled debt restructurings? (AC Sec. D22.121, .136, .137, and .145)	A146	_____	_____	_____	_____
Other receivables? (GASB Sec. 1600.115)	A147	_____	_____	_____	_____
Inventories? (GASB Sec. 1600.123 and AC Secs. B05.105 and I78)	A149	_____	_____	_____	_____
Joint ventures and other investments? (GASB Secs. 2300.107j and I50 pars. .106-.111)	G219	_____	_____	_____	_____
Pooled cash and investment accounts? (GASB Sec. 2300.106b and c)	G220	_____	_____	_____	_____
Have the following disclosures been made for investments subject to the fair value requirements:					
The methods and significant assumptions used to estimate fair value of investments, if the fair value is based on other than quoted market prices?	G221	_____	_____	_____	_____
The policy for determining which investments, if any, are reported at amortized cost?	G222	_____	_____	_____	_____
For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool, and whether the fair value of the position in the pool is the same as the value of the pool shares?	G223	_____	_____	_____	_____
Any involuntary participation in an external investment pool?	G224	_____	_____	_____	_____
If any entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?	G225	_____	_____	_____	_____
Any income from investments associated with one fund that is assigned to another fund? (GASB No. 31, par. 15, which is effective for years beginning after June 15, 1997)	G226	_____	_____	_____	_____
For governmental entities that disclose gains/losses on investments, do the notes disclose:					
The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments?	G227	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a net change in the fair value of investments reported in the prior year(s) and the current year? (GASB No. 31, par. 15, which is effective for years beginning after June 15, 1997)	G228	_____	_____	_____	_____
If this entity has public entity risk pools (cooperative group of governmental entities) did the entity:					
Recognize pool premiums as revenue over the contract period? (GASB Sec. Po 20.115-.117)	G229	_____	_____	_____	_____
Recognize claims costs in the period in which the event triggers coverage under the policy? (GASB Sec. Po 20.118-.122)	G230	_____	_____	_____	_____
Report the estimated loss of a claim if it is both probable and reasonably estimable? (GASB Sec. Po 20.123)	G231	_____	_____	_____	_____
Fixed assets, including changes during the period and capitalized interest? (GASB Secs. 1400.111 and 2300.106i)	G232	_____	_____	_____	_____
Sales-type, direct financing, leveraged, and operating leases of lessors? (GASB Sec. L20.107 and AC Sec. L10.119 and .143-.149)	A152	_____	_____	_____	_____
Are the operating lease revenues for governmental and similar trust funds accounted for under the modified accrual basis and for proprietary and similar trust funds under the accrual basis? (GASB Sec. L20.108-.112)	G233	_____	_____	_____	_____
For leases entered into beginning June 30, 1990, are operating leases with scheduled rent increases accounted for in a systematic and rational manner? If terms are artificially low, has the entity used either the straight-line or estimated fair value method? (GASB Sec. L20)	G234	_____	_____	_____	_____
Other assets including intangible assets, unamortized computer software costs, and deferred charges and their impairment, if applicable? (AC Secs. I08, I60, and Co2.106-.110)	A153	_____	_____	_____	_____
Pledged assets? (AC Sec. C59.120)	A154	_____	_____	_____	_____
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to set off the amount owed by the other party, (3) the reporting party intends to set off, and (4) the right to set off is enforceable at law.] (AC Sec. B10.101A)	A155	_____	_____	_____	_____
Short-term liabilities expected to be refinanced? (AC Sec. B05.112-.117, .138, and .139)	A157	_____	_____	_____	_____
Notes payable, bond, tax, and revenue anticipation notes, and other debt:					
Maturities, rates? (AC Sec. C32.105)	A158	_____	_____	_____	_____
Other terms and covenants? (ASL GU, Ch. 11, par. 11.31 and AC Sec. C59.120)	A159	_____	_____	_____	_____
Special assessment debt and related activities? (GASB Sec. 2300.107x)	G235	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A160	_____	_____	_____	_____

\$20,500

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Effect of troubled debt restructurings? (AC Sec. D22.121)	A161	_____	_____	_____	_____
Effect of debt refundings? (GASB Sec. D20)	G236	_____	_____	_____	_____
Loans or advances from other funds of the governmental unit? (GASB Sec. 1300.110)	G237	_____	_____	_____	_____
Debt service requirements to maturity? (GASB Sec. 2300.106i)	G238	_____	_____	_____	_____
Changes during the period, including advance refundings resulting in defeasance of debt? (GASB Secs. 2300.106m, D20.106, and .111-.115)	G239	_____	_____	_____	_____
Unpaid debt that has been fully defeased? (GASB Sec. D20.111-.114)	G240	_____	_____	_____	_____
Nature of any restrictions on assets related to debt? (ASLGU, Ch. 11, par. 11.31)	G241	_____	_____	_____	_____
Demand bonds? (GASB Secs. 2300.107x and D30.108-.111)	G242	_____	_____	_____	_____
Conduit debt obligations? (GASB Secs. 1500.115 and C65.102)	G243	_____	_____	_____	_____
Compensation for future absences and special termination benefits for employees? (GASB Secs. 2300.107k and C60)	G244	_____	_____	_____	_____
Designation or reservations or other restrictions of fund balances or retained earnings? (GASB Sec. 1800.123-.127 and ASLGU, Ch. 12, par. 12.20)	G245	_____	_____	_____	_____
Revenues, expenses, and expenditures:					
Grants and other financial assistance including entitlements, shared revenue, pass-through grants and food stamps? (GASB Sec. 2300.107m)	G246	_____	_____	_____	_____
On-behalf payments (e.g., fringe benefits and salaries)? (GASB Sec. G60.125)	G247	_____	_____	_____	_____
Investment income?	G248	_____	_____	_____	_____
Interest cost? (ASLGU Ch. 11, pars. 11.23-11.32)	G249	_____	_____	_____	_____
Depreciation? (ASLGU Ch. 10, par. 10.20)	G250	_____	_____	_____	_____
Discontinued operations? (AC Sec. I13)	A194	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (GASB Secs. C50.110-.115, 1500.110, 1600.118, and AC Sec. C59.104-.114)	A128	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed including environmental remediation-related matters? (GASB Secs. C50.141 and AC Sec. C59.118-.120; SOP 96-1, pars. .142-.173)	A129	_____	_____	_____	_____
Risk management and related financing activities? (GASB Secs. 2300.107a, C50.101, and .109-.141a)	G251	_____	_____	_____	_____
Deficit fund balances or retained earnings of individual funds? (GASB Sec. 2300.106o and ASLGU, Ch. 12, par 12.20)	G252	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Interfund receivables and payables of individual funds? (GASB Sec. 2300.106p)	G253	_____	_____	_____	_____
Are the nature and amount of inconsistencies in the financial statements caused by transactions between component units having different year ends properly disclosed? (GASB Sec. 2300.107s)	G254	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effects of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (GASB Secs. 2300.106f and C50.140 and AU Sec. 560.03-.07)	G255	_____	_____	_____	_____
Statement of Cash Flows					
For proprietary and similar fund types, is a statement of cash flows presented for each period as appropriate? (GASB Sec. 2450.103)	G256	_____	_____	_____	_____
Does it report cash flows classified as operating, noncapital financing, capital and related financing, and investing activities? (GASB Sec. 2450.104 and .112)	G257	_____	_____	_____	_____
Does it report the net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents, and did the amounts of cash and cash equivalents agree with the amounts on the balance sheet? (GASB Sec. 2450.127)	G258	_____	_____	_____	_____
Does it provide a reconciliation between operating income and net cash flow from operating activities? (GASB Sec. 2450.130)	G259	_____	_____	_____	_____
Are noncash investing, capital and financing activities disclosed? (GASB Sec. 2450.134)	G260	_____	_____	_____	_____
Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (GASB Sec. 2450.106)	G261	_____	_____	_____	_____
Are the components of the cash flow statement shown at "gross" and not "net" amounts? (GASB Sec. 2450.109-.111)	G262	_____	_____	_____	_____
All Financial Statements					
Are statement presentations and disclosures generally consistent with GASB pronouncements and the AICPA's <i>Audits of State and Local Governmental Units</i> ?	G263	_____	_____	_____	_____

II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
In planning the audit engagement, did the auditor properly consider:					
What type of engagement is being performed and whether the engagement is intended to meet the governmental oversight agency's audit requirements? (AU Sec. 801.08, fn 9, .10, .22, and .23)	G264	_____	_____	_____	_____
The need for compliance auditing and if so, the applicability of SAS No. 74 or Statement on Standards for Attestation Engagements No. 3, <i>Compliance Attestation</i> [AU Sec. 801.01, fn 4 (SAS No. 74, as amended by SAS No. 75)].	G265	_____	_____	_____	_____
The firm's responsibility to conform with professional standards with respect to the detection of errors and fraud? (AU Secs. 110.02 and 312, GAO, Ch. 4, pars. 4.12 and 4.13)	G266	_____	_____	_____	_____
Matters affecting the industry in which the entity operates, such as accounting practices, economic conditions, laws and governmental regulations, contractual obligations and technological changes? (AU Secs. 311.03 and 801.10 and GAO, Ch. 4, pars. 4.122-4.144)	A300	_____	_____	_____	_____
Definition of the reporting entity indicating the related organizations, functions, and activities that are either included or excluded from the financial statements in accordance with professional standards? (GASB Sec. 2100 and ASLGU, Chs. 2 and 3)	G267	_____	_____	_____	_____
Preliminary judgment (by fund type if opinion on general purpose financial statements) about materiality levels? (AU Secs. 311.03 and 312.08, ASLGU, Ch. 3, pars. 3.12 and 3.13 and GAO, Ch. 4, pars. 4.8 and 4.9)	A302	_____	_____	_____	_____
Factors affecting the continued functioning of the government, such as legal limitations on revenue, expenditures, or debt service? (AU Sec. 341 and ASLGU, Ch. 17, pars. 17.08-17.12)	G268	_____	_____	_____	_____
Did the auditor:					
Make an assessment of the risk of material misstatements of the financial statements, including the risk that errors, irregularities and illegal acts may cause the financial statements to be materially misstated? (AU Secs. 312.12, 316A, and 317.05 and ASLGU, Ch. 3, pars. 3.12-3.18, and GAO, pars. 4.14 and 4.15)	A303	_____	_____	_____	_____
Assess the risk of management misrepresentation by reviewing information obtained about risk factors and internal control? (AU Sec. 316A and ASLGU, Ch. 3, pars. 3.16-3.18)	A304	_____	_____	_____	_____
Design the audit to provide reasonable assurance of detecting errors and irregularities and direct-effect illegal acts that could be material to the financial statements? (AU Secs. 316A and 317.05)	A305	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

If SAS No. 82, *Consideration of Fraud in a Financial Statement Audit*, was effective for the engagement (effective for audits of financial statements for periods ending on or after December 15, 1997):

Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors in the categories stated in paragraphs 16 and 18 of SAS No. 82, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present?

Ques. N/A Yes No Ref.

A306

For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response?

A307

Did the auditor use analytical procedures in planning the nature, timing and extent of other audit procedures? (AU Secs. 329.01 and .06 and ASL GU, Ch. 3, par. 3.27)

A308

If the auditor succeeded another auditor, did the author:

Communicate with the predecessor auditor to ascertain whether there were disagreements between the predecessor auditor and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client? (AU Sec. 315.03 and .06)

A309

Obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.08)

A310

If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322 and ASL GU, Ch. 4, pars. 4.33-4.35 and GAO, Ch. 3, pars. 3.19-3.22)

A311

Did the auditor:

Obtain a sufficient understanding of the entity's internal control, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-.10, and 326.18)

A312

Document the understanding of internal control? (AU Sec. 319.44)

A313

Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)

A314

Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)

A315

If the entity transmits, processes, maintains, or assesses significant information by electronic means and it is not practical or possible to reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statement assertions, did the auditor perform tests of controls? (AU Sec. 326.14)

A316

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the client's transactions and internal control structure? (AU Sec. 324.07-.10)	A317	_____	_____	_____	_____
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, or were tests of client's controls over the activities of the service organization performed by the auditor? (AU Sec. 324.12-.16)	A318	_____	_____	_____	_____
If the engagement included work performed by joint auditors or by another office, correspondent, or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A319	_____	_____	_____	_____
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A320	_____	_____	_____	_____
Was there appropriate follow-up of open matters? (AU Sec. 311)	A321	_____	_____	_____	_____
In those cases where another firm was used, were appropriate inquiries made regarding its independence and professional reputation? (AU Sec. 543.10)	A322	_____	_____	_____	_____
For a jointly signed audit report, are there indications that the auditor has conducted sufficient audit procedures to warrant signing the report in an individual capacity? (ASL GU, Ch. 18, pars. 18.54-18.56)	G269	_____	_____	_____	_____
If the principal auditor did not refer to the other auditor in his or her report, did the principal auditor perform one or more of the additional procedures contained in AU 543.12 to assess the adequacy of the work performed by the other auditor? (AU Sec. 543.12 and .13 and ASL GU, Ch. 18, par. 18.54)	G270	_____	_____	_____	_____
If a specialist was used (e.g., actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336.06-.11)	A323	_____	_____	_____	_____
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A324	_____	_____	_____	_____
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and ASL GU, Ch. 3, pars. 3.28-3.32)	A325	_____	_____	_____	_____
Was the audit program responsive to the needs of the engagement, and the understanding of internal controls obtained, during the planning process? (AU Secs. 311.05 and 319.05)	A326	_____	_____	_____	_____
Was consideration given to the applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A327	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.35-.37)	A328	_____	_____	_____	_____
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339 and ASLGU, Ch. 3, par. 3.35)	A329	_____	_____	_____	_____
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A330	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A331	_____	_____	_____	_____
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A332	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A333	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A334	_____	_____	_____	_____
If statistical or nonstatistical sampling was used for substantive tests of details and tests of applicable laws and regulations, if appropriate:					
Does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A335	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A336	_____	_____	_____	_____
Were the misstatements in the sample projected to the items for which the sample was selected? (AU Sec. 350.26)	A337	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A338	_____	_____	_____	_____
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement resulting from all audit sampling applications and to known misstatements from non-sampling applications? (AU 350.30)	A339	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
During the performance of the engagement, did the auditor:					
Consider the guidelines of professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A341	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A342	_____	_____	_____	_____
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A343	_____	_____	_____	_____
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334 and ASL GU, Ch. 17, pars. 17.05–17.07)	A344	_____	_____	_____	_____
Did the auditor obtain written timely and appropriate representations from management (including, if applicable, industry specific and/or Single Audit Act representations as required by paragraphs 7c and/or 10, fn 9 of SAS 74) and was the representation letter properly dated? (AU Secs. 333 and 801.07c and .10, fn 9 and ASL GU, Ch. 17, pars. 17.02–17.04 and Ch. 23, pars. 23.82 and 23.83)	A345	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entity's attorney concerning litigation, claims and assessments? (AU Sec. 337.08–.14)	A346	_____	_____	_____	_____
Have all questions, exceptions, or notes, been followed up and resolved, (including consideration of views obtained from responsible officials of the entity concerning the auditor's findings)?	A347	_____	_____	_____	_____
Was appropriate consideration given to passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A348	_____	_____	_____	_____
If applicable, were adequate tests of compliance with applicable laws and regulations that have a direct material effect on the financial statements performed and documented? (AU Sec. 801.12–.20)	G271	_____	_____	_____	_____
If applicable, did the auditor communicate to management about an audit requirement that may not be encompassed in the terms of the engagement, and that an audit in accordance with generally accepted auditing standards may not satisfy the relevant legal, regulatory or contractual requirements? (Communication may be oral or in writing—if the communication is oral, the auditor should document the communication in the working papers) (AU Sec. 801.21–.23)	G272	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for periods ending on or after December 15, 1997) did the auditor:					
Follow up on errors and irregularities in accordance with professional standards? (AU Sec. 316A.22–.29)	A349	_____	_____	_____	_____
Consider the implications for other aspects of the audit of an audit adjustment that the auditor has determined is, or may be, an irregularity and has either determined that the effect could be material or has been unable to evaluate the potential materiality? (AU Sec. 316A.25)	A350	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Obtain assurance that the audit committee or others with equivalent authority and responsibility had been adequately informed of all but clearly inconsequential irregularities identified during the engagement? (AU Sec. 316A.28)	A351	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement (effective for audits of financial statements for periods ending on or after December 15, 1997):					
If the audit tests identify misstatements in the financial statements, did the audit consider whether such misstatements may be indicative of fraud and evaluate the implications involved as described in pars. 34–36 of SAS No. 82?	A352	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatements due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented?	A353	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements?	A354	_____	_____	_____	_____
When the auditor, as a result of the assessment of the risk of material misstatements due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the results of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)?	A355	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for periods ending on or after December 15, 1997) the auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up in accordance with professional standards? (AU Sec. 317.10 and .11)	A356	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A357	_____	_____	_____	_____
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
auditor's attention except those that are clearly inconsequential, were adequately communicated? (AU Sec. 317.17)	A358	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.10 and .11 and ASLGU, Ch. 17, par. 17.12)	A361	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be effectively implemented? (AU Sec. 341.03(b))	A362	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicates the auditor's substantial doubt (i.e., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13 and ASLGU, Ch. 17, par. 17.12)	A364	_____	_____	_____	_____
Were all reportable conditions and material weaknesses in internal controls and identified instances of noncompliance with applicable laws and regulations:					
Adequately evaluated and documented? (AU Sec. 319)	G273	_____	_____	_____	_____
Appropriately reported in accordance with applicable standards? (AU Sec. 325)	G274	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A370	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date that might have affected the report had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? ⁴ (AU Sec. 561)	A371	_____	_____	_____	_____
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A372	_____	_____	_____	_____
Where there is an audit committee or some other formal oversight group, did the auditor:					
Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A373	_____	_____	_____	_____

⁴ This question also applies to circumstances when, subsequent to the date of the audit report on the general purpose financial statements, the auditor, while performing procedures to support the other reports required by the Single Audit Act, identifies additional information that existed at the report date.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the communication was in writing, include a statement that it was intended solely for the use of the audit committee or the board of directors, and if appropriate, management? (AU Sec. 380.03)	A374	_____	_____	_____	_____
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03)	A375	_____	_____	_____	_____
Has the firm established reasonable procedures for retention of and access to working papers including consideration of the guidance in Interpretation No. 1 of SAS No. 41, "Providing Access to or Photocopies of Working Papers to a Regulator"? (AU Sec. 339.08, AU Sec. 9339, also at Appendix K in ASLGU)	G275	_____	_____	_____	_____

III. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. Commitments and Contingencies, Revenue and Expenditures/Expenses, and Other are not optional and must always be completed. In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of such financial statement assertions. If an audit area is not reviewed because it does not represent a *key* area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As indicated on page 20,504, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restrictions on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Approval of interfund cash transactions?	G301	_____	_____	_____	_____
Pledging of collateral required of depository institutions for public funds? (ASL GU, Ch. 7, par. 7.12 and GASB Sec. I50.107-.111)	G302	_____	_____	_____	_____
Compliance with the laws and regulations governing the deposit of public funds? (GASB Sec. C20)	G303	_____	_____	_____	_____
Determination that all cash accounts have been identified and appropriately recorded? (ASL GU, Ch. 7, pars. 7.06-7.19)	G304	_____	_____	_____	_____
Review of repurchase security transactions for consistency with the disclosures of their terms and conditions? (GASB Sec. I50.159-.160)	G305	_____	_____	_____	_____
Are cash overdrafts from pooled cash and investments accounted for as an interfund receivable or payable? (ASL GU, Ch. 7, pars. 7.06-7.09)	G306	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	_____	_____	_____	_____
If confirmation work was performed prior to year end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date?	A409	_____	_____	_____	_____
If a significant number and amount of the accounts receivable selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)	A410	_____	_____	_____	_____
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A411	_____	_____	_____	_____
Were the results of confirmation and alternative procedures summarized, and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A412	_____	_____	_____	_____
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A413	_____	_____	_____	_____
Were procedures performed to provide evidence that receivables and the related revenues were recorded in the correct period? (ASL GU, Ch. 8, par. 8.04-8.07)	G307	_____	_____	_____	_____
Were adequate tests of discounts and allowances made?	A414	_____	_____	_____	_____
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables (including interfund receivables) adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned or otherwise encumbered?	A416	_____	_____	_____	_____
Was receivable work coordinated with tests of revenues, including cut-off tests?	A417	_____	_____	_____	_____
For proprietary activities, were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value, (FASB Statement No. 107) and recognition of related interest income? (AC Secs. I69 and F25.115A-.115K)	A418	_____	_____	_____	_____
If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)	A419	_____	_____	_____	_____
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding					

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
one year, notes receivable and other loans) carried at the present value of the loans' expected future cash flows are discounted at the loans' effective interest rates or at observable market prices or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. 108.111)	A420	_____	_____	_____	_____
In governmental funds, were revenues that were measurable but did not meet the available criteria properly recorded as deferred? (GASB Sec. P70.108)	G308	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____
Inventories					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate tests of:					
Physical observation, if material? (AU Sec. 331.09-.13)	G309	_____	_____	_____	_____
The clerical accuracy of the inventory?	A427	_____	_____	_____	_____
Costing methods and substantiation of costs used in pricing all elements (raw material, work-in-process and finished goods) of the inventory?	A428	_____	_____	_____	_____
Were the results of inventory observations and other tests summarized, and were appropriate conclusions drawn?	A429	_____	_____	_____	_____
Do the working papers indicate that consideration was given to whether the inventory was carried at lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of inventory appear adequate? (AU Secs. 312 and 319)	A435	_____	_____	_____	_____
Investments					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared and details examined with respect to the description, purchase price and date, changes during the period, income, market value, etc., of investments? (AU Sec. 332.23-.30)	A436	_____	_____	_____	_____
Were securities either inspected or confirmed? (AU Sec. 332.04)	A437	_____	_____	_____	_____
Was the computation of realized and unrealized gains and losses tested by the auditor?	A443	_____	_____	_____	_____
Was consideration given to GASB No. 31 for determining how to account for investments?	G310	_____	_____	_____	_____
Was consideration given to the possible impairment of the carrying value of investments that are classified as held-to-maturity or available-for-sale? (AU Sec. 332.31 and .32 and EITF 85-39)	A444	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers indicate that consideration was given to investments that were pledged, restricted, or had limitations on their marketability?	A445	_____	_____	_____	_____
For joint venture investments (accounted for under the equity or other method), were financial statements and other information reviewed to support the amounts presented and the related disclosures? (GASB Sec. J50 and AU Sec. 332.13-.22)	G311	_____	_____	_____	_____
Was a review made to determine whether the investments are of the types authorized by law or in compliance with the applicable statutes and investment policies? (ASLGU, Ch. 7, pars. 7.06-7.13 and 7.25)	G312	_____	_____	_____	_____
Were income, gains, and losses from investments tested for proper allocation to the individual funds? (GASB Sec. I50.104 and .105 and ASLGU, Ch. 7, par. 7.08)	G313	_____	_____	_____	_____
For repurchase and reverse repurchase agreements, were appropriate audit procedures performed (e.g., confirmation, inspection of agreement and collateral, etc.)? (ASLGU, Ch. 7, pars. 7.23-7.25)	A443	_____	_____	_____	_____
Was consideration given to the custody of investments, including powers granted to an agency or counterparty, to determine whether or not the classification within risk categories is appropriate?	G314	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A447	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepayments?	A448	_____	_____	_____	_____
Intangible assets?	A449	_____	_____	_____	_____
Deferred charges?	A450	_____	_____	_____	_____
Other?	A451	_____	_____	_____	_____
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A452	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A455	_____	_____	_____	_____
Property, Plant and Equipment					
<input type="checkbox"/> Not a key area					
Was a summary schedule prepared to show beginning balances, changes during the period and ending balances for:					
Property, plant and equipment?	A456	_____	_____	_____	_____
Accumulated depreciation (where applicable)?	A457	_____	_____	_____	_____
Do tests appear adequate, and were proper conclusions drawn with respect to:					

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Additions (e.g., by examining supporting documents and/or physical inspection)?	A458	_____	_____	_____	_____
Retirements, etc. (including examining miscellaneous income, scrap sales)?	A459	_____	_____	_____	_____
The adequacy of the current and accumulated provisions for depreciation?	A460	_____	_____	_____	_____
For proprietary activities, consideration of asset impairment including the status of idle facilities? (AC Sec. J08.122-.130)	A461	_____	_____	_____	_____
Do working papers indicate that the auditor considered the possibility that property was subject to liens?	A462	_____	_____	_____	_____
Was a review made to determine that capital expenditures were classified in the proper fund accounts and made in accordance with budgetary requirements? (GASB Secs. 1700.118 and .119, and 1800.116-.122)	G315	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of property, plant and equipment appear adequate? (AU Secs. 312 and 319)	A463	_____	_____	_____	_____
Liabilities					
<input type="checkbox"/> Not a key area					
Were accounts payable tested adequately for existence?	A464	_____	_____	_____	_____
Was an adequate search performed for unrecorded liabilities at the balance-sheet date?	A465	_____	_____	_____	_____
Was the payables work coordinated with the testing of the purchases cutoff?	A466	_____	_____	_____	_____
Was consideration given to expenditures that might require accrual (e.g., pensions, compensated absences, or postemployment benefits provided to former or inactive employees prior to retirement), and to whether accrued expenses were reasonably stated? (GASB Secs. C60, P20, P50)	A467	_____	_____	_____	_____
Were procedures performed to determine that municipal solid waste landfill closure and postclosure care costs were properly accounted for? (GASB Sec. L10)	G316	_____	_____	_____	_____
Were procedures performed to determine whether deferred compensation plans had been appropriately accounted for? (GASB Sec. D25)	G317	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?	A468	_____	_____	_____	_____
For proprietary activities were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107) and recognition of related interest expense? (AC Secs. I69 and F25.115A-.115K)	A469	_____	_____	_____	_____
Do the working papers indicate that the auditor received compliance with the covenants of the entity's debt obligations?	A470	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were procedures performed to determine that:					
New debt issues were properly authorized as required by the state constitution or state/local statutes and recorded in the correct fund and/or account group? (ASLGU, Ch. 11, par. 11.28)	G318	_____	_____	_____	_____
Debt restrictions, guarantees and other debt commitments were properly disclosed? (ASLGU, Ch. 11, pars. 11.30–11.32)	G319	_____	_____	_____	_____
Do the tests of interfund borrowings appear adequate with respect to:					
Legal restrictions, if any, on such borrowings? (ASLGU, Ch. 12, par. 12.24)	G320	_____	_____	_____	_____
Authorization? (ASLGU Ch. 12, par. 12.24)	G321	_____	_____	_____	_____
Classification? (ASLGU, Ch. 12, par. 12.24)	G322	_____	_____	_____	_____
Appropriateness of interest accruals and payments? (ASLGU, Ch. 12, par. 12.19)	G323	_____	_____	_____	_____
Do the working papers contain sufficient documentation of tests of liability recognized for claims incurred but not reported (IBNR) as of the balance-sheet date? (GASB Sec. C50.113 and .114 and ASLGU, Ch. 9, pars. 9.13 and 9.14)	G324	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A471	_____	_____	_____	_____
Deferred Revenue					
<input type="checkbox"/> Not a key area					
Do the working papers reflect consideration of whether the basis of deferring revenue is reasonable and consistent with restrictions imposed by the grantor or by the special assessment? (GASB Secs. 1600.116 and S40)	G325	_____	_____	_____	_____
Where applicable, was consideration given to matching requirements, if any? (GASB Sec. G60.109)	G326	_____	_____	_____	_____
If there were grants, entitlements or shared revenues received but not expended, where expenditure is the prime factor for determining eligibility, were the funds properly reported as deferred revenue? (GASB Sec. G60.114)	G327	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of deferred revenue appear adequate? (AU Secs. 312 and 319)	G328	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the oversight unit, provisions of the governmental unit's charter, and applicable statutes and changes therein?	A479	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases and correspondence from taxing and other governmental agencies, and similar documents?	A480	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accumulation and analysis of confirmation responses from banks and lawyers?	A481	_____	_____	_____	_____
Inquiries of and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments, and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A482	_____	_____	_____	_____
Consideration of prior audits of federal financial assistance programs that disclosed questioned or disallowed costs, or instances of noncompliance? (ASLGU, Ch. 5, par. 5.19 and Ch. 23, par. 23.09)	G329	_____	_____	_____	_____
Inspection of long-term contracts with nongovernmental entities, such as construction contractors?	G330	_____	_____	_____	_____
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A484	_____	_____	_____	_____
Was appropriate consideration given to known environmental matters? (GASB Sec. C50 and ASLGU, Ch. 9, par. 9.25 and Ch. 17, pars. 17.14-17.17 and SOP 96-1, pars. .104-.119 and .175)	A485	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of commitments and contingencies appear adequate? (AU Secs. 312 and 319)	G331	_____	_____	_____	_____
Fund Equity					
<input type="checkbox"/> Not a key area					
Where applicable, were authorizations of changes in reserves and designated balances examined? (ASLGU, Ch. 12, pars. 12.06-12.14)	G332	_____	_____	_____	_____
Do the working papers indicate that there were appropriate inquiries as to proper classification, description and disclosures of components of fund equity? (ASLGU, Ch. 12, pars. 12.06 and 12.10)	G333	_____	_____	_____	_____
Do the working papers indicate that fund transfers were properly approved and recorded? (ASLGU, Ch. 12, par. 12.24)	G334	_____	_____	_____	_____
Have all entries to contributed capital been properly accounted for? (ASLGU, Ch. 12, pars. 12.25-12.27)	G335	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of fund equity appear adequate? (AU Secs. 312 and 319)	G336	_____	_____	_____	_____
Revenues and Expenditures/Expenses					
Were appropriate analytical procedures used in substantive tests of revenues and expenditures and/or expenses for the period? (e.g., comparison to the budget and the preceding period and review for reasonableness, with significant variances and fluctuations being investigated and resolved) (AU Sec. 329)	A492	_____	_____	_____	_____
Was adequate consideration given to:					
The entity's revenue recognition policy? (ASLGU, Ch. 8 and GASB Sec. 1600.106-.116)	A493	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Recognition of property tax revenues? (ASLGU, Ch. 8, par. 8.10 and GASB Secs. 1600.109 and P70)	G337	_____	_____	_____	_____
Recognition of taxpayer-assessed tax revenues? (ASLGU, Ch. 8; and GASB Sec. 1600.110)	G338	_____	_____	_____	_____
Income recognition on transactions where the earnings process was not complete?	A494	_____	_____	_____	_____
Recognition of revenues and interfund transactions in the accounting period in which they became available and measurable for fund types using the modified accrual basis of accounting? (GASB Sec. 1600.106-.116 and ASLGU, Ch. 8, par. 8.04)	G339	_____	_____	_____	_____
Do the working papers indicate that the auditor considered the effect of direct program income on federal grants? (ASLGU Appendix F.25(g))	G340	_____	_____	_____	_____
Has it been determined that:					
Expenditures are in accordance with the approved budget as to amounts and purpose? (ASLGU, Ch. 6, pars. 6.22 and 6.23)	G341	_____	_____	_____	_____
Encumbrances are properly identified, supported and recorded? (GASB Secs. 1700.129 and .130 and ASLGU, Ch. 6, pars. 6.22 and 6.23)	G342	_____	_____	_____	_____
Were tests of payrolls, including account distribution, made, where appropriate?	A490	_____	_____	_____	_____
Do the tests of pension expenses and liabilities appear adequate? (GASB Sec. P20 and ASLGU, Ch. 14)	A491	_____	_____	_____	_____
If the entity is reimbursed by a third party for costs incurred in connection with providing services to others:					
Were pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement? (ASLGU, Ch. 8, par. 8.30)	G343	_____	_____	_____	_____
Were cost reimbursement reports and the underlying support reviewed? (ASLGU, Ch. 8, par. 8.30)	G344	_____	_____	_____	_____
Were appropriate allocations made of indirect costs among the entity's programs? (ASLGU, Ch. 8, par. 8.30)	G345	_____	_____	_____	_____
Was the effect of audits, either required or performed by third-party grantors, considered? (ASLGU, Chs. 20-24)	G346	_____	_____	_____	_____
If grants are awarded to other organizations, did the auditor review:					
The classification of the grants?	G347	_____	_____	_____	_____
The effects of the grantees' compliance or noncompliance with performance requirements? (GASB Sec. G60.111-.113)	G348	_____	_____	_____	_____
Does the accounting and financial reporting for proprietary funds comply with GASB Sec. P80?	G349	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on the assessment of inherent and control risks, did the substantive tests (analytical procedures and tests of details) of revenues and expenditures/expenses appear adequate? (AU Secs. 312 and 319)	A497	_____	_____	_____	_____
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (GASB Sec. L20)	A498	_____	_____	_____	_____
Were appropriate procedures applied regarding accompanying information (AU Sec. 551.06 and .08) and "required supplementary information"? (AU Sec. 558)	A499	_____	_____	_____	_____
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers, and were the disclosures in the financial statements adequate?	A506	_____	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11–.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A607	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be appropriately familiar with the applicable professional pronouncements (FASB, GASB, AICPA, etc.)?	A608	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A609	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14–.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A610	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A611	_____	_____	_____	_____
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A612	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the owner/partner (or manager) approve the overall engagement audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A613	_____	_____	_____	_____
Does it appear that the hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were both adequate and appropriately timed to provide for planning and supervision as the job progressed?	A614	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	A615	_____	_____	_____	_____
Review of internal control:					
Manual system?	A616	_____	_____	_____	_____
IT system?	A617	_____	_____	_____	_____
Audit work programs?	A618	_____	_____	_____	_____
Financial statement disclosures?	A619	_____	_____	_____	_____
Working paper and financial statement reviews?	A620	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A621	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A622	_____	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A623	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A624	_____	_____	_____	_____
Was there appropriate consultation and documentation:					
In situations specified by firm policy?	A625	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	A626	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	A627	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	A628	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A629	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A630	_____	_____	_____	_____

**V. Appendix A—Questions for Use When the Engagement
is Subject to *Government Auditing Standards***

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Does the auditor's (firm's) understanding with the client include:					
Providing the firm's most recent external quality control review report to the client? (GAO, Ch. 3, par. 3.36)	G401	_____	_____	_____	_____
Arrangements for access to the working papers by other auditors and oversight officials as applicable? (GAO, Ch. 4, pars. 4.36 and 4.38)	G402	_____	_____	_____	_____
Does the auditor's report on financial statements:					
Include reference to GAAS and to Government Auditing Standards issued by the Comptroller General of the United States? (ASL GU, Ch. 24, par. 24.02 and Appendix A, Example A.1, fn 2, and GAO, Ch. 5, par 5.11)	G403	_____	_____	_____	_____
Describe, or make reference to separate reports that describe, the scope of the auditor's testing of compliance with laws and regulations, and of internal controls, and present the results of those tests? (GAO, Ch. 5, pars. 5.15–5.17 and 5.29)	G404	_____	_____	_____	_____
If certain information is prohibited from general disclosure, did the auditor's report state the nature of the information omitted and the requirement that makes the omission necessary? (GAO, Ch. 5, par. 5.29)	G405	_____	_____	_____	_____
Does the language in the auditor's reports conform with professional standards, including references to GAAS and to <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAO, Ch. 5, par. 5.11 and ASL GU, Ch. 5, par. 5.31b, Ch. 24, par. 24.07c, and Appendix A, Example A.1., fn 2) and appropriately cover the following for the entity as a whole:	G406	_____	_____	_____	_____
The internal control structure related matters based solely on the auditor's understanding of the internal control structure and assessment of control risk made as part of the audit of the financial statements (GAO, Ch. 5, pars. 5.17, 5.18, and 5.26–5.28, and ASL GU, Ch. 24) that includes:	G407	_____	_____	_____	_____
The required elements? (ASL GU, Ch. 24, par. 24.04)	G408	_____	_____	_____	_____
Reference to a separate letter, if applicable, describing identified nonreportable conditions? (GAO, Ch. 5, par. 5.28 and Ch. 7 and ASL GU, Ch. 4, pars. 4.18 and 4.19)	G409	_____	_____	_____	_____
Which matters are reportable conditions and which of the reportable conditions are material weaknesses? (GAO, Ch. 5, par. 5.27 and ASL GU Ch. 4, par. 4.15)	G410	_____	_____	_____	_____
Appropriate language when no reportable conditions were noted? [ASL GU, Ch. 24, par. 24.20 and Appendix A, Example A.25(B) provide guidance on complying with both GAO, Ch. 5, par. 5.15 and the SAS No. 60 (AU Sec. 325.17) prohibition from issuing a written report stating that no reportable conditions were noted during an audit.]	G411	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Compliance with applicable laws and regulations, including a summary of all material instances of noncompliance and/or instances or indications of irregularities and illegal acts except those that are clearly inconsequential (GAO, Ch. 5, pars. 5.18 and 5.19) that includes:					
The basic elements? (ASLGU, Ch. 5, par. 5.31)	G412	_____	_____	_____	_____
Presentation of material instances of noncompliance with laws and regulations in accordance with the guidance in <i>Government Auditing Standards</i> regarding issuance of a report on compliance? (GAO, Ch. 5, pars. 5.18 and 5.19)	G413	_____	_____	_____	_____
Reference to a separate letter, if applicable, describing immaterial instances of noncompliance? (GAO, Ch. 5, par. 5.20 and Ch. 7 and ASLGU, Ch. 5, par. 5.38)	G414	_____	_____	_____	_____
When illegal acts involve funds received from other governmental entities, did the auditors assure themselves that the audited entity notified the proper official of those entities within a reasonable time? If the entity did not, or was unable to do so because the top official was involved, has the auditor reported these acts to the officials of those other governmental entities, and to the appropriate oversight body? (GAO, Ch. 5, pars. 5.21–5.24 and ASLGU, Ch. 5, pars. 5.33 and 5.34)	G415	_____	_____	_____	_____
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore and the known effect of not following the standard on the audit results? (GAO, Ch. 5, par. 5.12)	G416	_____	_____	_____	_____
When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal act, or indications of such acts? (GAO, Ch. 5, pars. 5.21–5.25 which makes reference to Ch. 7, pars. 7.30–7.33)	G417	_____	_____	_____	_____
Did the report(s) disclose the status of all known, but uncorrected significant or material findings and recommendations from prior audits that affect current audit objectives? (GAO, Ch. 4, par. 4.10 and ASLGU, Ch. 3, par. 3.36)	G418	_____	_____	_____	_____
Did the auditor document communication of those nonreportable conditions in the internal control structure not included in the required reports? (GAO, Ch. 5, par. 5.20)	G419	_____	_____	_____	_____
Were findings presented in accordance with the guidance in the <i>Government Auditing Standards</i> ? (GAO, Ch. 5)	G420	_____	_____	_____	_____
Do the working papers contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments? (GAO, Ch. 4, par. 4.35)	G421	_____	_____	_____	_____
Are appropriate personnel in compliance with the Yellow Book CPE requirements? (GAO, Ch. 3, par. 3.6)	G422	_____	_____	_____	_____
Was appropriate assurance of independence considered on three levels: personal, external and organizational, and did the auditor maintain an independent attitude and appearance? (GAO, Ch. 3, pars. 3.11–3.25)	G423	_____	_____	_____	_____
	G424	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor (firm) meet the licensing requirements of the jurisdiction where the auditee is located? (GAO, Ch. 3, par. 3.10(e)(i))	G425	_____	_____	_____	_____
Does the client letter of representations include representations from management regarding the completeness of management's identification of laws and regulations that have a material affect on the financial statements? (AC Sec. 801.07(c))	G426	_____	_____	_____	_____
Did the auditor communicate the following information related to the conduct and reporting of the audit to the audit committee or to individuals with whom they have contracted for the audit:					
Auditor's responsibilities?	G427	_____	_____	_____	_____
Nature of any additional testing of internal controls and compliance required by laws and regulations? (GAO Ch. 5, par. 5.5)	G428	_____	_____	_____	_____
<u>Program Specific Audits</u>					
Where an auditor has been engaged to conduct a program specific audit, did the auditor obtain an understanding of the audit requirements of that particular program? (AU Sec. 801.14)	G429	_____	_____	_____	_____

VI. Appendix B—Questions for Use When the Engagement is Subject to the Single Audit Act of 1984 and OMB Circular A-128 (Years Ended Before June 30, 1997)

The questions in this appendix should be completed for a single audit engagement for years ended prior to June 30, 1997. Complete Appendix C instead of this Appendix if the single audit engagement is for years ended on or after June 30, 1997. The AICPA Audit and Accounting Guide *Audit of State and Local Governmental Units* (ASLGU), 1996 edition, chapters 20–24 provides guidance for single audits under the requirements of the Single Audit Act of 1984 and OMB Circular A-128.

Note: Reports mentioned in Appendix B are in addition to those indicated previously in Appendix A.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Does the language in the auditor's reports conform with professional standards, including references to <i>Government Auditing Standards</i> and OMB Circular A-128?	G501	_____	_____	_____	_____
Do the Single Audit Act Reports also include:					
Auditor's report on the schedule of federal financial assistance? (ASLGU, Ch. 24, par. 24.06 and Appendix A, Example A.16)	G502	_____	_____	_____	_____
Auditor's report on internal controls over federal financial assistance program identifying the entity's internal control structure and those controls designed to provide reasonable assurance that federal programs are managed in compliance with laws and regulations, including (ASLGU, Ch. 24, pars. 24.07 and 24.08 and Appendix A, Examples A.26(A)–A.26(E)):	G503	_____	_____	_____	_____
The controls that were evaluated (considered and tested)? (OMB Circular A-128 13a(2))	G504	_____	_____	_____	_____
The controls that were not evaluated (tested)? (OMB Circular A-128 13a(2))	G505	_____	_____	_____	_____
The material weaknesses identified as a result of the evaluation (considered and tested)? (OMB Circular A-128 13a(2) and GAO Ch. 6, pars. 49–52 and ASLGU, Ch. 24, par. 24.38)	G506	_____	_____	_____	_____
Major programs—Compliance report—Specific requirements:					
An opinion that the entity complied, in all material respects, with specific requirements that, if not complied with, could have a material effect to each program? (ASLGU, Ch. 24, pars. 24.11–24.16 and Appendix A, Example A.18(A))	G507	_____	_____	_____	_____
Nonmajor programs—Compliance report—Specific requirements:					
A statement of positive assurance with respect to those items tested and negative assurance on those items not tested concerning material instances of noncompliance with specific requirements of nonmajor programs? (ASLGU, Ch. 24, pars. 24.17 and 24.18 and Appendix A, Example A.24)	G508	_____	_____	_____	_____
Major and nonmajor programs—Compliance auditing—General requirements:					
A statement of positive assurance with respect to the items tested and a statement of negative assurance on those items not tested con-					

* The N/A column should be used when the item either does not exist or is not material.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
cerning material instances of noncompliance with the general requirements? (ASLGU, Ch. 24, pars. 24.05, 24.09, and 24.17 and Appendix A, Examples A.23(B) and A.23(C))	G509	_____	_____	_____	_____
When appropriate, did the auditor properly modify the report on compliance, which presented material instances of noncompliance with laws and regulations in accordance with the guidance in <i>Government Auditing Standards</i> regarding reporting on performance audits? [ASLGU, Ch. 24, pars. 24.19 and Appendix A, Example A.17(B)]	G510	_____	_____	_____	_____
Did the auditor, by reviewing contract files and receipts and disbursements and consultation with grantor, cognizant or oversight agency, obtain reasonable assurance that the entity appropriately identified all federal financial assistance and included that assistance within the audit scope? (ASLGU, Ch. 23)	G511	_____	_____	_____	_____
Does the schedule of federal financial assistance program expenditures present the following (ASLGU, Ch. 22, par. 22.13):					
Identification of each program as indicated in the <i>Catalog of Federal Domestic Assistance</i> (CDFA) and an indication that the federal financial assistance is direct or pass-through?	G512	_____	_____	_____	_____
Other federal assistance from programs not included in the CDFA?	G513	_____	_____	_____	_____
Total expenditures for each federal financial assistance program classified by grantor, department, or agency?	G514	_____	_____	_____	_____
Identification of major programs?	G515	_____	_____	_____	_____
Total federal financial awards?	G516	_____	_____	_____	_____
Was consideration given to the accounting and auditing guidance issued by the Office of Management and Budget, including Circulars A-128 (<i>Audits of State and Local Governments</i>), A-87 (<i>Cost Principles Applicable to Grants and Contracts</i>), and "common rule" under A-102 (<i>Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments</i>) (ASLGU, Appendixes D, E, and F)?	G517	_____	_____	_____	_____
Indirect allocations are in accordance with OMB Circular A-87? (OMB Circular A-128, Questions and Answers, par. 17)	G518	_____	_____	_____	_____
Do the working papers indicate that consideration was given to prior audits of government financial assistance programs that disclosed questioned or disallowed costs, or instances of noncompliance (GAO, Ch. 4, par. 4.10)?	G519	_____	_____	_____	_____
Did the auditor perform and document the required level of internal control structure review, to include:					
The consideration and testing of those internal control structure policies and procedures, relating to both specific and general requirements, used in administering major federal financial assistance programs, comparable to that which the auditor would perform if the auditor intended to assess control risk below the maximum level? (ASLGU, Ch. 23, par. 23.18)	G520	_____	_____	_____	_____
If warranted, the consideration and testing of the internal control structure policies and procedures, used in administering non-major programs, to the same extent as in Question G519 above so that					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
controls over at least 50 percent of total federal financial assistance program expenditures are tested? (ASLGU, Ch. 23, par. 23.19)	G521	_____	_____	_____	_____
A sufficient understanding of the internal control structure for the systems used in administering other nonmajor federal financial assistance programs? (ASLGU, Ch. 23, par. 23.20)	G522	_____	_____	_____	_____
For the categories of controls for which tests were performed:					
Do the working papers document the auditor's understanding of the structure? (ASLGU, Ch. 23, par. 23.24 and AU Sec. 319.44)	G523	_____	_____	_____	_____
In the judgment of the reviewer, were the nature and extent of tests of controls sufficient to enable the auditor to determine if the appropriate policies and procedures were being applied as described? (ASLGU, Ch. 23, pars. 23.35–23.39 and AU Sec. 319)	G524	_____	_____	_____	_____
Did the auditor include the recipient's system for ensuring subrecipients' compliance and obtaining and acting on subrecipients' audit reports? (ASLGU, Ch. 23, pars. 23.25–23.34)	G525	_____	_____	_____	_____
Do the working papers adequately document the work performed and the conclusions reached? (GAO, Ch. 4, pars. 4.34–4.38 and ASLGU, Ch. 23, par. 23.24)	G526	_____	_____	_____	_____
In determining whether the entity complied with applicable laws and regulations that may have a material effect on each major federal financial assistance program, did the auditor:					
Identify all major programs as defined in the Single Audit Act of 1984?	G527	_____	_____	_____	_____
Consult appropriate sources, such as OMB's <i>Compliance Supplement for Single Audits of State and Local Governments</i> , statutes, regulations, and agreements covering individual programs, in order to identify the specific compliance requirements that apply to each major program and to determine which requirements to test? (ASLGU, Ch. 23, pars. 23.06–23.15)	G528	_____	_____	_____	_____
Consider materiality in relation to each major federal assistance program? (ASLGU, Ch. 23, par. 23.43)	G529	_____	_____	_____	_____
Select a representative number of charges from each major program? (ASLGU, Ch. 23, pars. 23.16 and 23.50)	G530	_____	_____	_____	_____
Perform and document tests to determine whether (ASLGU, Ch. 23, par. 23.17):					
The amounts reported as expenditures were allowable under federal regulations and contracts? (ASLGU, Ch. 23, par. 23.40a)	G531	_____	_____	_____	_____
Only eligible persons or organizations received services or benefits? (ASLGU, Ch. 23, par. 23.40b)	G532	_____	_____	_____	_____
Matching, level of effort, or earmarking requirements were met? (ASLGU, Ch. 23, par. 23.40c)	G533	_____	_____	_____	_____
Federal financial reports and claims for advances and reimbursements were supported by the records supporting the financial statements? (ASLGU, Ch. 23, par. 23.40(e)(9))	G534	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The entity complied with other provisions for which federal agencies have determined that noncompliance could materially affect the program? (ASLGU, Ch. 23, par. 23.40e)	G535	_____	_____	_____	_____
Perform and document tests to determine whether the entity complied with each of the general requirements contained in the compliance supplement concerning (ASLGU, Ch. 23, pars. 23.06b and 23.56):					
Political activity? (ASLGU, Ch. 23, par. 23.57)	G536	_____	_____	_____	_____
Civil rights? (ASLGU, Ch. 23, par. 23.39)	G537	_____	_____	_____	_____
Davis-Bacon Act? (ASLGU, Ch. 23, par. 23.58)	G538	_____	_____	_____	_____
Cash management? (ASLGU, Ch. 23, par. 23.60)	G539	_____	_____	_____	_____
Relocation assistance and real property acquisition? (ASLGU, Ch. 23, par. 23.61)	G540	_____	_____	_____	_____
Federal financial reports? (ASLGU, Ch. 23, pars. 23.62–23.66)	G541	_____	_____	_____	_____
Allowable costs/cost principles? (ASLGU, Ch. 23, pars. 23.67–23.74)	G542	_____	_____	_____	_____
Drug-free workplace act? (ASLGU, Ch. 23, par. 23.75)	G543	_____	_____	_____	_____
Administrative requirements? (ASLGU, Ch. 23, pars. 23.76–23.78)	G544	_____	_____	_____	_____
Consider projected questioned costs from all audit sampling applications and all specifically identified questioned costs? (ASLGU, Ch. 23, pars. 23.50–23.52)	G545	_____	_____	_____	_____
Consider whether the tests of compliance with the program's requirements appear adequate to support the report(s) on compliance? (ASLGU, Ch. 23)	G546	_____	_____	_____	_____
Did the auditor properly consider the potential effects of instances of noncompliance and questioned costs in reporting on the entity's financial statements and individual financial assistance programs? (ASLGU, Appendix E, OMB Cir. A-128, and Appendix D, Questions and Answers, par. 20)	G547	_____	_____	_____	_____
Where transactions related to non-major federal financial assistance programs have been selected during other audit procedures, have they been appropriately tested for compliance with the specific federal laws, regulations or requirements? (ASLGU, Ch. 23, pars. 23.19–23.21 and Ch. 24, par. 24.18)	G548	_____	_____	_____	_____
If warranted, did the auditor communicate with the cognizant agency to avoid or minimize any disagreements or problems? (ASLGU, Ch. 21, par. 21.03)	G549	_____	_____	_____	_____
Does the client letter of representations include representations related to matters set forth for single audits and specific representations about matters pertaining to federal financial awards as part of the compliance audit? (ASLGU, Ch. 23, par. 23.82 and AU Sec. 801.10d, fn 10)	G550	_____	_____	_____	_____
Did the auditor submit the report(s) to the organization audited and to those requiring or arranging for the audit within the required time? (OMB Cir. A-128, par. 13f, in ASLGU, Appendix E)	G551	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the auditor (firm) established policies or procedures for complying with the Single Audit Act requirements concerning retention of and access to working papers (OMB Cir. A-128, par. 15, in ASLGU Appendix E):					
Retaining working papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period?	G552	_____	_____	_____	_____
Making the working papers available upon request to the cognizant agency or its designee or the GAO, at the completion of the audit?	G553	_____	_____	_____	_____

VII. Appendix C—Questions for Use When the Engagement is Subject to the Single Audit Act Amendments of 1996 and OMB Circular A-133 (Years Ended on or After June 30, 1997)

The questions in this Appendix should be completed for a single audit engagement for years ended on or after June 30, 1997. Complete Appendix B instead of this Appendix if the single audit engagement is for years ended prior to June 30, 1997. At the time this checklist was prepared the AICPA was also preparing a Statement of Position for Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards, which can be used to provide additional guidance for single audits under the requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does the engagement letter, proposal or contract, if such documents were prepared, include a statement as to what type of engagement is being performed and whether the engagement is intended to meet governmental oversight agency's audit requirements? (AU Sec. 801.08, fn 8, .22, and .23)	G601	_____	_____	_____	_____
Was consideration given to the accounting and auditing guidance issued by the Office of Management and Budget, including Circulars A-133 (<i>Audits of States, Local Governments and Non-Profit Organizations</i>), A-21 (<i>Cost Principles for Educational Institutions</i>), A-87 (<i>Cost Principles Applicable to Grants and Contracts</i>), A-102 (<i>Uniform Requirements for Grants and Cooperative Agreements with State and Local Governments</i>), A-110 (<i>Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Institutions</i>), and A-122 (<i>Cost Principles for Nonprofit Organizations</i>)?	G602	_____	_____	_____	_____
For each single audit conducted, did the audit cover the departments, agencies or other organizational units which expended or otherwise administered the federal awards? [Act Sec. 7502 (b)(1)(3)(d)]	G603	_____	_____	_____	_____
Did the auditor:					
Determine whether the financial statements were presented fairly in all material respects in conformity with GAAP? [Act Sec. 7502 (b)(1)(3)(e)(1)]	G604	_____	_____	_____	_____
With respect to internal controls pertaining to compliance for each major program					
(1) Obtain an understanding of the internal controls?	G605	_____	_____	_____	_____
(2) Assess control risk?	G606	_____	_____	_____	_____
(3) Perform tests of controls unless the controls are deemed to be ineffective? [Act Sec. 7502 (b)(1)(3)(e)(3)]	G607	_____	_____	_____	_____
Has the auditor (firm) established policies or procedures for complying with the Act's requirements to make the working papers available to the federal agency or the Comptroller General as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities as well as to include the right to obtain copies? [Act Sec. 7503 (f)]	G608	_____	_____	_____	_____
Has the auditor's firm established policies or procedures for retention of and access to working papers, including consideration of Interpretation No. 1 of SAS No. 41 (AU Sec. 9339) and the requirements of OMB, par. .17 and OMB2, par. .515a:					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Retaining working papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period?	G609	_____	_____	_____	_____
Making the working papers available upon request to the cognizant agency or its designee or the GAO, at the completion of the audit?	G614	_____	_____	_____	_____
Were major programs (Type A) identified by the auditor using a risk-based approach which considered the following: (OMB2, pars. .520a and .525)					
If this is a first-year audit (i.e., the first year the entity is audited under OMB A-133 or the first year of a change of auditors) did the auditor elect to determine major programs as all Type A programs and any Type B programs as necessary to meet the percentage in question G629 below? (<i>Note:</i> The election may not be used by an auditee more than once every three years.) (If the answer to this question is "no" or "n/a", skip to question G629.) (OMB2, par. .520i)	G615	_____	_____	_____	_____
Current and prior audit experience?	G616	_____	_____	_____	_____
Oversight by federal agencies and pass-through entities?	G617	_____	_____	_____	_____
Inherent risk of the federal program?	G618	_____	_____	_____	_____
Were all Type A programs identified based on the following (OMB2, par. .520b):					
Federal programs with federal awards expended during the audit period exceeding the larger of:					
\$300,000 or 3% of total federal awards expended (when total federal awards expended were between \$300,000 and \$100 million)?	G619	_____	_____	_____	_____
\$3 million or .3% of total federal awards expended (when total federal awards expended were between \$100 million and \$10 billion)?	G620	_____	_____	_____	_____
\$30 million or .15% of total federal awards expended (when total federal awards expended exceeded \$10 billion)?	G621	_____	_____	_____	_____
Did the auditor classify all federal programs that did not meet the criteria of a Type A program, as noted above, as a Type B program? (OMB2, par. .520b(2))	G622	_____	_____	_____	_____
Did the auditor identify all Type A programs which are low risk based on the following (OMB2, par. .520c):					
Audited as a major program in at least one of the two most recent audit periods? and	G623	_____	_____	_____	_____
There were no audit findings identified in that most recent audit period?	G624	_____	_____	_____	_____
Did the auditor identify all Type B programs which are high risk based on the criteria noted in questions G616–G618 above? (OMB2, par. .520d)	G625	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor audit, at a minimum, the following major programs (OMB2, par. .520e):					
All Type A programs, except those identified as low-risk?	G626	_____	_____	_____	_____
High-risk Type B programs using either of the following:					
At least one-half of all high-risk Type B programs? (See question G622 above.) (Note: The auditor is not required to audit more high-risk Type B programs than the number of low-risk Type A programs identified.)	G627	_____	_____	_____	_____
One high-risk Type B program for each low-risk Type A program?	G628	_____	_____	_____	_____
Did the audit of major programs include at least 50% of the total federal awards expended or at least 25% of total federal awards expended for a low-risk auditee? (OMB2, par. .520f)	G629	_____	_____	_____	_____
Did the auditor document in the workpapers the risk analysis performed to determine major programs? (OMB2, par. .520g)	G630	_____	_____	_____	_____
Did the auditor obtain an understanding of the internal controls over federal programs sufficient to enable the auditor to assess control risk relevant to the compliance requirements for each major program below the maximum? (OMB2, par. .500c)	G631	_____	_____	_____	_____
If the internal controls over federal programs weren't sufficient to enable the auditor to assess control risk below the maximum, did the audit identify and report a reportable condition or a material weakness and assess control risk at the maximum? (OMB2, par. .500c(3))	G632	_____	_____	_____	_____
Did the auditor test whether or not the entity was in compliance with applicable laws, regulations and the provisions of contracts or grant agreements that may have a direct and material effect on each major program in accordance with the requirements of the OMB A-133 compliance supplement? (OMB2, par. .500d)	G633	_____	_____	_____	_____
Did the auditor perform procedures sufficient to form an opinion on the Schedule of Expenditure of Federal Awards as to whether or not the schedule was presented fairly in relation to the entity's financial statements? (OMB2, par. .500b)	G634	_____	_____	_____	_____
Did the auditor determine whether the Summary Schedule of prior audit findings was reasonable and included the following: (OMB2, par. .500e)					
For fully corrected audit findings, a description of the audit finding and that corrective action was taken?	G635	_____	_____	_____	_____
For audit findings not corrected or partially corrected, a description of the audit finding and of the planned corrective action and any partial corrective action taken?	G636	_____	_____	_____	_____
For corrective actions taken which differed significantly from that previously reported, the reason for the change?	G637	_____	_____	_____	_____
For audit findings which are no longer valid or don't warrant further action, (audit findings which do not warrant further action are those for which two years have passed since the audit report in					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
which the finding was reported, the federal agency is not currently following up with the auditee in reference to that finding and a management decision was not issued) a description of the audit finding and the reason why it's no longer valid or further action isn't warranted?	G638	_____	_____	_____	_____
Did the auditor complete the applicable sections of the Data Collection Form and include a signed statement that indicates the source of the information on the form, the auditor's responsibility for such information, that the form isn't a substitute for the reporting package and that the content of the form is limited to the data elements prescribed by the OMB? (OMB2, par. .320b(3))	G639	_____	_____	_____	_____
Was a reporting package issued which included the following:					
An opinion as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion as to whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the financial statements? (OMB2, par. .505a)	G640	_____	_____	_____	_____
A report on the internal controls related to the financial statements and major programs, which includes a description of the testing performed and the results of those tests and if applicable, refers to the Schedule of Findings and Questioned Costs? (OMB2, par. .505b)	G641	_____	_____	_____	_____
An opinion on compliance with laws, regulations and the provisions of contracts or grant agreements which have a direct and material effect for each major program and if applicable, refers to the Schedule of Findings and Questioned Costs? (OMB2, par. .505c)	G642	_____	_____	_____	_____
A Schedule of Findings and Questioned Costs for major programs which includes: (OMB2, par. .505d)					
A summary of the auditor's results, including the type of opinion issued on the financial statements, where applicable, a statement that reportable conditions were disclosed and whether they represent material weaknesses; a statement as to whether any noncompliance which is material to the financial statements was noted; the type of opinion issued in relation to compliance for major programs; a statement as to whether the audit disclosed any audit findings; an identification of major programs; the dollar threshold used to distinguish between Type A and Type B programs; and a statement as to whether the auditee was considered to be low-risk?	G643	_____	_____	_____	_____
Findings related to the financial statements and required by GAGAS to be reported?	G644	_____	_____	_____	_____
Findings and questioned costs for federal awards?	G645	_____	_____	_____	_____
Did the audit findings included in the Schedule of Findings and Questioned Costs include the following: (OMB2, par. .510a)					
Reportable conditions in internal control over major programs?	G646	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	G647	_____	_____	_____	_____
Known questioned costs greater than \$10,000 for each type of compliance requirement for a major program?	G648	_____	_____	_____	_____
Likely questioned costs greater than \$10,000 for each type of compliance requirement for a major program?	G649	_____	_____	_____	_____
Known questioned costs greater than \$10,000 for a federal program which isn't considered to be a major program?	G650	_____	_____	_____	_____
Circumstances concerning why the opinion on compliance for major programs is other than unqualified, if applicable, and unless already reported as audit findings?	G651	_____	_____	_____	_____
Known fraud affecting a federal award, unless already reported as audit findings?	G652	_____	_____	_____	_____
Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit findings?	G653	_____	_____	_____	_____
Did each audit finding include the following (OMB2, par. .510b):					
Federal program name, CFDA title and number, federal award number and year, name of federal agency, and name of applicable pass-through entity?	G654	_____	_____	_____	_____
Criteria or specific requirement upon which the audit finding is based?	G655	_____	_____	_____	_____
Condition found?	G656	_____	_____	_____	_____
Identification of questioned costs and how they were computed?	G657	_____	_____	_____	_____
Information to provide proper perspective for judging the prevalence and consequences of the audit findings and whether or not they are isolated or systemic?	G658	_____	_____	_____	_____
Information to determine the cause and effect of the audit finding and to determine appropriate corrective actions?	G659	_____	_____	_____	_____
Recommendations to prevent future occurrences?	G660	_____	_____	_____	_____
Views of responsible officials of the entity if a disagreement with the audit finding exists?	G661	_____	_____	_____	_____
A reference number? (OMB2, par. .510c)	G662	_____	_____	_____	_____
Was the reporting package submitted to the appropriate parties the earlier of 30 days after receipt by the auditee or nine months after the end of the audit period? (<i>Note:</i> For financial statements with fiscal years beginning on or before June 30, 1998, the reporting package is required to be submitted the earlier of 30 days after receipt by the auditee or thirteen months after the end of the audit period.) (OMB2, par. .320a)	G663	_____	_____	_____	_____
Did the auditor designate the auditee as low-risk, and thus be allowed to reduce the level of audit coverage over major programs (see question G628), only if all of the following conditions were met for each of the preceding two years? (OMB2, par. .530)					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Annual single audits were performed.					
Unqualified opinions were issued in relation to the financial statements and the Schedule of Expenditures of Federal Awards.					
No deficiencies in internal controls were identified as material weaknesses.					
None of the Type A programs had audit findings from internal control deficiencies were identified as material weaknesses, non-compliance with provisions of laws, regulations, contracts, or grant agreements which have a material effect on Type A programs, or known or likely questioned costs which exceed five percent of total federal awards expended for Type A programs during the audit period.	G664	_____	_____	_____	_____
Has the auditor evaluated controls over grants to subrecipients? (OMB2, par. 300b)	G665	_____	_____	_____	_____
Has the auditor performed procedures to determine that pass-thru entities have not used federal funds for audit of subrecipients that received less than \$300,000? (OMB2, par. 230b(2))	G666	_____	_____	_____	_____
Program Specific Audits:					
Did the auditor contact the Office of the Inspector General of the applicable Federal agency to determine whether a program specific audit guide exists? (OMB2, par. .235a)	G667	_____	_____	_____	_____
If a program-specific audit guide exists, did the auditor conduct the audit in accordance with GAGAS and the program-specific audit guide? (OMB2, par. 235a)	G668	_____	_____	_____	_____
If a program specific audit guide was not available, did the auditor:					
Perform an audit of the financial statements of the federal program in accordance with GAGAS? (OMB2, par. .235b(3)(i))	G669	_____	_____	_____	_____
Obtain an understanding of the internal control structure over the federal program? (OMB2, par. .235b(3)(ii))	G670	_____	_____	_____	_____
Assess control risk at the maximum and report a reportable condition or material weakness if internal controls over the program did not prevent or detect noncompliance?	G671	_____	_____	_____	_____
Perform procedures to determine whether or not the entity was in compliance with applicable laws, regulations, and the provisions of contracts or grant agreements related to the federal program?(OMB2, par. .235b(3)(iii))	G672	_____	_____	_____	_____
Determine whether or not the Summary Schedule of prior audit findings was reasonable? (See questions G635–G638 for information required to be included in the schedule.) (OMB2, par. .235b(3)(iv))	G673	_____	_____	_____	_____
Issue a reporting package which included all of the reports noted in question G640–G645? (OMB2, par. .235b(4))	G674	_____	_____	_____	_____
Was the reporting package submitted to the appropriate parties within the time period outlined in question G663? (OMB2, par. .235c)	G675	_____	_____	_____	_____

VIII. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
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- * The nature of the disposition of comments may vary, such as:
 - Note "resolved" and the manner of resolution.
 - Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

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<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
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IX. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards (see AU Sec. 390 and ET Sec. 202) and other applicable standards including, where applicable, the requirements of *Government Auditing Standards* and the Single Audit Act? YES' ____ NO ____
 - The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the review report was not appropriately modified (see AU Sec. 561 and ET Sec. 203)? YES' ____ NO ____
 - The auditor's reports, including all reports required under *Government Auditing Standards* or by the Single Audit Act, were not appropriate in the circumstances? YES' ____ NO ____
 - The documentation on this engagement does not support the firm's opinion on the financial statements? YES' ____ NO ____
 - The firm did not comply with its policies and procedures on this engagement in all material respects? YES' ____ NO ____
- _____

[The next page is 20,601.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the SEC *Practice Section Reference Manual*.

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Not-for-Profit Audit Engagement Checklist

Instructions for Use of Checklist for Review of Audit Engagements of Not-for-Profit Organizations

This checklist was developed for use by reviewers of audits of not-for-profit organizations, including those entities that receive federal awards. It should be used in conjunction with other guidance materials issued to implement the peer review program and the SEC Practice Section of the AICPA. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in the checklist are intended to emphasize the general procedures that an independent auditor would ordinarily perform in auditing and reporting on financial statements of not-for-profit organizations (NFPOs). Accordingly, the matters covered in this checklist concentrate primarily on the accounting and auditing procedures that are unique to audits of NFPOs and that extend the auditor's responsibilities beyond compliance with the AICPA's GAAS.

Reviewers may adapt this checklist to fit specific engagements. If the not-for-profit entity is contractually required to submit reports prepared in accordance with OMB Circular A-133, the reviewer should complete Section III ("Audits of Governmental Grantees"). Likewise, individuals reviewing review or compilation engagements of not-for-profit organizations should combine Sections I ("Report and Financial Statements") and III ("Audits of Governmental Grantees") of this checklist with Sections II ("General Procedures"), III ("Functional Areas") and V and VI ("Conclusions") of the review or compilation checklists, respectively.

Reviewers who are reviewing a nongovernmental voluntary health and welfare organization engagement should complete this checklist. Those reviewers of governmental voluntary health and welfare organization engagements and those voluntary health and welfare organization engagements which were not yet required to adopt FASB Statement No. 116 (FAS 116), *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117 (FAS 117), *Financial Statements of Not-for-Profit Organizations*, should complete the *Supplemental Checklist for Review of Voluntary Health and Welfare Organization Engagements*, and either this checklist, the *Governmental Audit Engagement Checklist*, the *Checklist for Review of Compilation Engagements*, or the *Checklist for Review of Review Engagements*.

This checklist does not include the reporting requirements addressed in the 1998 Statement of Position (SOP) *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*. It is recommended that the reviewer use the guidance included in this SOP as needed.

For HUD projects for years ending prior to June 30, 1997, reviewers should utilize the *Supplemental Checklist for Review of Audits of HUD Engagements* in addition to the governmental or general audit checklist. For HUD projects for years ending on or after June 30, 1997, reviewers of governmental HUD engagements should use the *Governmental Audit Engagement Checklist*, reviewers of not-for-profit HUD engagements should use this checklist, and reviewers of for-profit HUD engagements should use the general audit checklist and the *Supplemental Checklist for Review of Audits of HUD Engagements*. It is also suggested that for years ended on or after June 30, 1997, for a program specific audit or an audit of compliance requirements, reviewers should use the *Supplemental Checklist for Review of Audits of HUD Engagements*.

The questions have been derived principally from the pronouncements of the Auditing Standards Board, the Financial Accounting Standards Board and its predecessors, the AICPA's SOP 92-9, *Audit of Not-for-Profit*

Organizations Receiving Federal Awards; and SOP 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*; the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*, the AICPA Industry Audit Guide *Audits of Voluntary Health and Welfare Organizations*, the AICPA financial reporting practice aid *Disclosure Checklists for Not-for-Profit Organizations*, OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and the GAO's 1994 Revision of *Government Auditing Standards* (Section III of this checklist).

FAS 116, FAS 117, and SOP 94-3 are effective for financial statements issued for fiscal years beginning after December 15, 1994 except for those NFPOs with less than \$5 million in total assets and less than \$1 million in annual expenses. For those NFPOs the effective date is for fiscal years beginning after December 15, 1995.

GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Government Entities*, poses the issue of whether an NFPO is deemed a governmental entity. If so, the entity is subject to the GASB hierarchy in GAAP. Among other things, GASB Statement No. 29 provides that an NFPO that is a "governmental entity" and has applied the "AICPA Not-for-Model" should not apply FAS 116 and 117. If such an entity has applied FAS 116 and 117, it is to change back to the "AICPA Not-for-Model." GASB Statement No. 29 is effective for periods beginning after December 15, 1994 with earlier application "encouraged." If the entity is a governmental entity as contemplated by GASB Statement No. 29, the reviewer may consider using the *Governmental Audit Engagement Checklist* (Sec. 20,500).

Reviewers of audits of colleges and universities engagements should use this checklist as all nongovernmental colleges and universities should use the AICPA Audit and Accounting Guide *Not-for-Profit Organizations* (effective for financial statements with fiscal years ending on or after December 31, 1996). The AICPA Industry Audit Guide *Audits of Colleges and Universities* (1994 edition) is to be used by governmental colleges and universities which are following the financial reporting model included in that audit guide, in accordance with GASB Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models*, or GASB Statement No. 29.

OMB Circular A-133 establishes audit requirements and defines Federal responsibilities for implementing and monitoring such requirements for institutions of higher education and other not-for-profit institutions expending Federal awards. The provisions of OMB Circular A-133 have been revised and are effective for financial statements with fiscal years ending on or after June 30, 1997. Those revisions to OMB Circular A-133 also incorporate the provisions of the Single Audit Act Amendments of 1996, which are effective for audits of entities with fiscal years beginning after June 30, 1996. Questions which incorporate the revisions to OMB Circular A-133 have been included for reviewers of engagements for which the new provisions are applicable.

The GAO Yellow Book (1994 edition) is effective for financial audits of periods ending on or after January 1, 1995, and for performance audits beginning on or after January 1, 1995. Earlier application is permissible.

Explanation of References:

AC	Reference to section number in <i>FASB Accounting Standards Current Text</i>
ACNO	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (As of May 1, 1997)
ASLGU	AICPA Audit and Accounting Guide <i>Audits of State and Local Governmental Units</i> (1996 edition)
ACT	Single Audit Act Amendments of 1996
AU	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
EITF	Emerging Issues Task Force abstracts
ET	Code of Professional Conduct <i>AICPA Professional Standards</i> (vol. 2)
GA	Generally Accepted Accounting Practice
GAO	<i>Government Auditing Standards</i> (1994 Revision), United States General Accounting Office
GASB	<i>Codification of Governmental Accounting and Financial Reporting Standards</i> (As of June 30, 1996)
OMB	Office of Management and Budget Circular (effective for all NFPOs for fiscal years that begin on or after January 1, 1990)
OMB2	Office of Management and Budget—OMB Circular A-133 (Revised June 24, 1997), <i>Audits of States, Local Governments, and Non-Profit Organizations</i> (effective for financial statements with fiscal years ending on or after June 30, 1997), included in the June 30, 1997 <i>Federal Register</i>
SOP	AICPA Statement of Position [SOPs may be found in <i>AICPA Technical Practice Aids</i> (TPA), vol. 2]
QC	Quality Control Standards <i>AICPA Professional Standards</i> (vol. 2)
VHW	AICPA Industry Audit Guide <i>Audits of Voluntary Health and Welfare Organizations</i> (As of May 1, 1994)

Not-for-Profit Audit Engagement Checklist

ENGAGEMENT PROFILE

Engagement Code No. _____ Office _____
 Owner/Partner _____ Date of Financial Statements* _____
 Manager _____ Date of Report _____
 Concurring Reviewer** _____ Date Report Released _____

This engagement involves reporting on:

- () Financial statements (single entity)
 () Combined financial statements of financially interrelated not-for-profit organizations or voluntary health and welfare organizations
 () Financial statements of a component of the organization
 () Special Reports (SAS No. 62)
 () Internal Control and Compliance (pursuant to OMB Circular A-133)
 () Other (explain) _____

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total revenues (memorandum total) \$ _____
 Total assets \$ _____
 Total net assets \$ _____
 Total amount of federal assistance expended***. \$ _____

General description of audited entity (type of entity, services provided, etc.) _____

Complex or troublesome audit areas: _____

List any non-audit services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report.

Personnel Continuity:

Owner
or
Partner Manager
or
equivalent

Number of years assigned to this job _____

Number of years in current position on the job _____

Audit hours on this engagement:

	Total	Prior to Commencement of Field Work	During Field Work	After Completion of Field Work
Owner/Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Concurring Reviewer**	_____	_____	_____	_____
Senior/other professionals	_____	_____	_____	_____
Total this office	=====			
Total budgeted	_____			

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Not applicable unless required by firm policy.

*** This amount should include "pass through" federal financial assistance received indirectly from a state or local government.

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is a judgment call; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily, all key audit areas should be reviewed. List below the key areas on this engagement, and, if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II, V and VII should be answered in addition to the questions in Section IV for the key areas identified, and for Commitments and Contingencies; Revenue, Expenses, and Support; and Other.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement Review Performed _____

Reviewer _____

Date Checklist Reviewed
by Team Captain _____

Signature _____

Checklist for Review of Audit Engagements of Not-for-Profit Organizations

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Note: This checklist has been updated through SAS No. 82, SFAS No. 131, FASB Interpretation No. 42, and the GAO's *Government Auditing Standards* (1994 Revision), referred to as the "Yellow Book." (The 1994 Revision of the Yellow Book is effective for financial audits of periods ending on or after January 1, 1995, with earlier application permitted.)

I. REPORT AND FINANCIAL STATEMENTS

Note: This condensed checklist has been extracted from the AICPA financial reporting aid, *Disclosure Checklists for Nonprofit Organizations*. Reviewers may wish to consult that checklist for detailed information about the applicable professional standards and related citations. All "no" answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Report					
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08j, .38 and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report in the circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08 and .65)	A103	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A104	_____	_____	_____	_____
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 for accompanying information and 558 for "required supplementary information")	A105	_____	_____	_____	_____
For special reports, have professional standards been complied with regarding:					
Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? (AU Sec. 623.01-.10)	A106	_____	_____	_____	_____
Specified elements, accounts or items of a financial statement? (AU Sec. 623.11-.18)	A107	_____	_____	_____	_____
Compliance with aspects of agreements or regulatory requirements related to audited financial statements? (AU Sec. 623.19-.21)	A108	_____	_____	_____	_____
Financial presentations to comply with agreements or regulatory provisions? (AU Sec. 623.22-.30)	A109	_____	_____	_____	_____
Financial information in prescribed forms or schedules? (AU Sec. 623.32 and .33)	A110	_____	_____	_____	_____
For reports on financial statements of a U.S. entity that have been prepared in conformity with accounting principles generally accepted in another country for use outside the United States, has there been compliance with professional standards? (AU Sec. 534)	A111	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

Financial Statements and Notes**General**

If the entity is deemed to be a governmental entity, do the financial statements conform with the provisions of GASB Statement No. 29?

N101 _____

Are the financial statements suitably titled? (AU Sec. 623.07 and .24)

A112 _____

Is the accounting appropriate and are the disclosures adequate regarding:

Significant accounting policies, including a description of the nature of each fund, if applicable (i.e., general, plant, endowment, unrestricted, temporarily restricted, permanently restricted)? (AC Sec. A10.105-.108; for OCBOA, AU Sec. 623.09 and .10)

A113 _____

Accounting changes? (AC Sec. A06)

A114 _____

Do the basic financial statements focus on the entity as a whole and consist of a statement of financial position, statement of activities in which the amount of the change in net assets articulates to the statement of financial position, and a statement of cash flows, and accompanying notes? (AC Sec. No5.104, .108 and .116)

N102 _____

Are the net assets and changes in net assets classified as (i) permanently restricted, (ii) temporarily restricted, and/or (iii) unrestricted, based on donor imposed restrictions and/or relevant law? (AC Sec. No5.109 and .117)

N103 _____

Is information provided about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statements of financial position or by including relevant details in notes to the financial statements? (AC Sec. No5.112)

N104 _____

If prior year information is summarized and does not include the minimum information required by FAS 117 and the ACNO, is the nature of the prior year information described by appropriate titles and in the notes? (ACNO, Ch. 3, pars. 3.20 and 3.21)

N105 _____

Are contributions received, including unconditional promises to give, recognized at their fair value as revenues in the period received? (AC Secs. C67.108 and No5.143-.145)

N106 _____

Are contributions received classified as permanently restricted, temporarily restricted, and unrestricted based upon donor-imposed restrictions and/or relevant law? (AC Sec. No5.143-.145)

N107 _____

Are contributions made, including unconditional promises to give, recognized as expenses in the period made, at their fair values? (AC Sec. C67.114)

N108 _____

Are conditional promises to give, whether received or made, accounted for as refundable advances and recognized as contributions when they become unconditional (i.e., when the conditions are substantially met)? (AC Sec. C67.118-.120)

N109 _____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are unconditional promises to give with payments due in future years recognized as restricted unless circumstances make it clear the donor intended it to be used to support current activities? (AC Sec. No5.144)	N110	_____	_____	_____	_____
Are accounting policy disclosures made:					
If donor-restricted contributions whose restrictions are met in the same reporting period are consistently treated as unrestricted support? (AC Sec. No5.143)	N111	_____	_____	_____	_____
For contributions of long-lived assets whether the accounting policy is to imply or not imply a time restriction that expires over the estimated useful life of the respective assets? (AC Sec. No5.145)	N112	_____	_____	_____	_____
For financial instruments, is information about concentrations of credit risk and if required, about fair value (including the methods and significant assumptions used to estimate fair value) disclosed? (AC Sec. F25.105, .115, and .115A-.115K)	A119	_____	_____	_____	_____
For financial instruments with off-balance sheet risk, are the required disclosures made including distinguishing between instruments held or issued for trading purposes and held or issued for purposes other than trading? (AC Sec. F25.112 and .113)	A120	_____	_____	_____	_____
For derivative financial instruments, are the required distinctions made ("trading purposes" and "purposes other than trading") and the required disclosures made for each type? (AC Sec. F25.115L-.115Q)	A121	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6; TPA Sec. 10,640)	A122	_____	_____	_____	_____
Are transfers of financial assets, the servicing of financial assets, and extinguishment of liabilities properly accounted for and disclosed? (AC Secs. F35.102, .108, and F38.103-.109)	A122	_____	_____	_____	_____
Are nonmonetary transactions properly accounted for and disclosed? (AC Secs. C11.102 and N35)	A127	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104-.114)	A128	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed, including environmental remediation-related matters? (AC Secs. C32.102-.105 and C59.116-.120; SOP 96-1, pars. .142-.173)	A129	_____	_____	_____	_____
If the organization has failed to maintain an appropriate composition of assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? (Note: Such noncompliance could result in a material contingent liability at the financial statement date, lead to a material loss of revenue, or cause an inability to continue as a going concern.) (ACNO, Ch. 3, par. 3.27)	N114	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Secs. C59.105, and .112, and AU Secs. 560.03-.09 and 561)	A130	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Have defined benefit pension plans been properly accounted for and disclosed? (AC Sec. P16.150 and .187)	A131	_____	_____	_____	_____
Have other pension plans been properly accounted for and disclosed? (AC Sec. P16)	A132	_____	_____	_____	_____
Have postretirement plans other than pensions been properly accounted for and disclosed? (AC Sec. P40.169)	A133	_____	_____	_____	_____
Have postemployment benefits (after employment but before retirement) been properly accounted for and disclosed? (AC Secs. P32 and P40)	A134	_____	_____	_____	_____
Are adjustments of financial statements for prior periods appropriate? (AC Sec. A35)	A138	_____	_____	_____	_____
Are related entities reported in conformity with SOP 94-3 (TPA Sec. 10,610) for (a) investments in for-profit majority-owned subsidiaries (consolidated in conformity with ARB 51, as amended by FAS No. 94); (b) investment in common stock of for-profit entities of 50 percent or less voting interest (equity method in conformity with APB Opinion No. 18); and (c) financially interrelated NFPOs? (SOP 94-3, pars. 8-14)	N115	_____	_____	_____	_____
Are related party transactions with non-combined affiliated entities, contributors of restricted funds, board members, officers, and employees adequately disclosed? (SOP 94-3, par. 12 or SOP 78-10, pars. 47-49, if applicable)	N116	_____	_____	_____	_____

Statement of Financial Position/Balance Sheet

Does the statement of financial position:

Report the amounts of the entity's total assets, liabilities, and net assets? (AC Sec. No5.108)	N117	_____	_____	_____	_____
Classify cash and other assets received with a long-term donor imposed restriction separately from those assets that are unrestricted and available for current use? (AC Sec. No5.109)	N118	_____	_____	_____	_____
Provide information about liquidity by one or more of the following: (i) sequencing assets according to their nearness to cash and liabilities according to their nearness to maturity, (ii) classifying assets and liabilities as current and noncurrent according to ARB No. 43, Chapter 3A, as amended (AC Sec. B05), and/or (iii) footnote disclosure about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets? (AC Sec. No5.110)	N119	_____	_____	_____	_____
Disclose information about the nature and amounts of different types of permanent and/or temporary restrictions on the face of the statement or in the notes to the financial statements? (AC Sec. No5.112)	N120	_____	_____	_____	_____
Are the following disclosed for unconditional promises receivable (AC Sec. C67.121):					
Amounts receivable in less than one year, in one to five years, and in more than five years?	N121	_____	_____	_____	_____
Amount of allowance for uncollectible accounts?	N125	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are the following disclosed for conditional promises (AC Sec. C67.122):					
The total amounts of the conditional promises?	N122	_____	_____	_____	_____
A description and the amount for each group of conditional promises having similar characteristics?	N123	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Valuation allowances? (AC Sec. V18)	A141	_____	_____	_____	_____
Restricted cash including compensating balances? (AC Secs. B05.107 and C59.120)	N124	_____	_____	_____	_____
Cash or other assets with a donor-imposed restriction for a long-term purpose? (AC Sec. No5.109)	N125	_____	_____	_____	_____
Investments? (ACNO, Ch. 8, pars. 8.17–8.25 and AC Secs. I82.109 and .110, I80, and F25.115C–.115I)	A150	_____	_____	_____	_____
Terms or circumstances concerning repurchase or reverse repurchase agreements? (AC Sec. B10.106A and .106B)	N126	_____	_____	_____	_____
Accounts and Notes Receivable:					
Effect of interest rates that do not reflect market rates? (AC Sec. I69.109)	A145	_____	_____	_____	_____
Legally enforceable pledges? (SOP 78-10, pars. 64–66)	N127	_____	_____	_____	_____
Other receivables?	A147	_____	_____	_____	_____
Inventories? (AC Secs. B05.105 and I78)	A149	_____	_____	_____	_____
Collections of works of art, historical treasures, or similar items? (AC Secs. C67.111, .112, .123, .124, and D40.101–.101A and ANCO, Ch. 7, pars. 7.05–7.14)	N128	_____	_____	_____	_____
Fixed Assets (AC Sec. D40.101 fn [a] and .105):					
Purchased fixed assets? (ACNO, Ch. 9, pars. 9.13–9.15)	N129	_____	_____	_____	_____
Donated fixed assets? (AC Sec. C67 and ACNO, Ch. 9, pars. 9.05, 9.06, and 9.13–9.15 or, if applicable, VHW, Ch. 3, pars. 3.03–3.06)	N130	_____	_____	_____	_____
Accounting for depreciation, including disclosure of depreciation policy for inexhaustible assets? (AC Sec. D40 and ACNO, Ch. 9, pars. 9.07, 9.08 and 9.13–9.15)	N131	_____	_____	_____	_____
Major classes of depreciable assets?	N132	_____	_____	_____	_____
Accumulated depreciation, as well as a general description of the method used in computing depreciation?	N133	_____	_____	_____	_____
Capitalized interest? (AC Sec. I67)	N134	_____	_____	_____	_____
Restrictions on use or disposal imposed by donor? (AC Secs. C67 and No5.111–.114, and ACNO, Ch. 9, pars. 9.05, 9.06, and 9.13–9.15)	N135	_____	_____	_____	_____

\$20,600

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Sales-type, direct financing, leveraged, and operating leases of lessors? (AC Sec. L10.112-.119 and .143-.149)	A152	_____	_____	_____	_____
Other assets, including intangible assets, unamortized computer software costs, and deferred charges and their impairment, if applicable? (AC Secs. I08, I27.140, .143, I60, Co2.102-.110, and I27.140)	A153	_____	_____	_____	_____
Pledged assets? (AC Sec. C59.120)	A154	_____	_____	_____	_____
Related assets and liabilities? [These may be offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts, (2) the reporting party has the right to setoff the amount owed with the amount owed by the other party, (3) the reporting party intends to setoff, and (4) the right to setoff is enforceable at law.] (AC Sec. B10.101A)	A155	_____	_____	_____	_____
Current liabilities? (AC Sec. B05.108, .109, and .118)	A156	_____	_____	_____	_____
Short-term liabilities expected to be refinanced? (AC Sec. B05.110-.117, .138, and .139)	A157	_____	_____	_____	_____
Notes payable and other debt:					
Maturities and rates? (AC Sec. C32.105)	A158	_____	_____	_____	_____
Effect of interest rates that do not reflect market rates? (AC Sec. I69)	A160	_____	_____	_____	_____
Maturities and sinking fund requirements for the next five years? (AC Sec. C32.105)	A163	_____	_____	_____	_____
Capital leases of lessees? (AC Sec. L10.106-.112)	A164	_____	_____	_____	_____
Other liabilities and deferred credits, including environmental remediation liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue and support? (AC Sec. C44.104 and .108 and SOP 96-1, Chs. 5 and 6)	A165	_____	_____	_____	_____

Statement of Activities

Does the statement of activities report:

The amount of change in net assets for the period using a descriptive term such as "change in net assets" or "change in equity"? (AC Sec. No5.116)	N136	_____	_____	_____	_____
The amount of change in permanently restricted, temporarily restricted, and unrestricted net assets? (AC Sec. No5.117)	N137	_____	_____	_____	_____
Revenues as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions? (AC Sec. No5.118)	N138	_____	_____	_____	_____
Expenses as decreases in unrestricted net assets? (AC Sec. No5.118)	N139	_____	_____	_____	_____
Events (e.g., expiration of donor imposed restrictions) that simultaneously increase one class of net assets and decrease another (reclassifications) presented separately from revenues, expenses, gains, and losses? (AC Sec. No5.117)	N140	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Gross amounts of revenues and expenses (including those for special events that are ongoing and major activities), and investment revenues as provided by FAS No. 117? (AC Sec. No5.121 and .122, fn 9)	N141	_____	_____	_____	_____
For voluntary health and welfare organizations, expenses by both functional and natural classifications in a matrix format in a separate statement? (AC Sec. No5.123)	N142	_____	_____	_____	_____
Gross revenues and gross expenses for "special events" that are ongoing and major activities? (AC Sec. No5.122, fn 9)	N143	_____	_____	_____	_____
Gains and losses on investments as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law? (AC Sec. No5.119)	N144	_____	_____	_____	_____
Gains and losses on endowments in permanently restricted net assets if the governing board has determined relevant law requires they be retained permanently? (AC Sec. No5.119)	N145	_____	_____	_____	_____
At a minimum, the change in unrestricted net assets for the period when an intermediate measure of operations is presented? (AC Sec. No5.120)	N146	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Subscription and membership income? (ANCO, Ch. 5, par. 5.14)	N147	_____	_____	_____	_____
Third-party reimbursements of costs for services provided? (ACNO, Ch. 12)	N148	_____	_____	_____	_____
Investment income and gains and losses? (AC Sec. No5.121, .122, .154-.156, .161, and ACNO, Ch. 8, par. 8.23)	N149	_____	_____	_____	_____
Contributions? (AC Sec. C67)	N150	_____	_____	_____	_____
Donated services, materials, and facilities? (AC Sec. C67.109 and .110)	N151	_____	_____	_____	_____
Split-interest agreements? (ACNO, Ch. 6)	N163	_____	_____	_____	_____
Allocation of functional expenses to programs and supporting services? (ACNO, Ch. 13, par. 13.27)	N152	_____	_____	_____	_____
Allocation of fund raising expenses, including joint costs of informational materials and activities, between fund raising and other functional expense categories? (ACNO, Ch. 13, pars. 13.30-13.40)	N153	_____	_____	_____	_____
Advertising costs? (SOP 93-7, TPA 10,590)	A177	_____	_____	_____	_____
Depreciation? (AC Sec. D40)	A183	_____	_____	_____	_____
Deferred compensation agreements? (AC Sec. C38)	A185	_____	_____	_____	_____
Grants to other organizations? (AC Sec. C67.114 and ACNO, Ch. 10, par. 10.08)	N154	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Operating leases and rent expense of lessees? (AC Sec. L10.111 and .112)	A188	_____	_____	_____	_____
Extraordinary items? (AC Sec. I17)	A195	_____	_____	_____	_____
Unusual or infrequent items, but not both? (AC Sec. I22)	A196	_____	_____	_____	_____

Statement of Cash Flows

Does the statement of cash flows present:

Cash provided or used by investing, financing and operating activities? (AC Sec. C25.112-.124)	A199	_____	_____	_____	_____
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Amounts received with long-term donor stipulations in cash flows from financing activities? (AC Sec. F25.117)	N155	_____	_____	_____	_____
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The net effect of cash flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents; also, do the amounts of cash and cash equivalents agree with the amounts on the statement of financial position/balance sheet? (AC Sec. C25.124)	A200	_____	_____	_____	_____
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A reconciliation between excess of revenue over expenditures and net cash flow from operating activities? (AC Sec. C25.127)	A201	_____	_____	_____	_____
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Related disclosure of noncash investing and financing activities? (AC Sec. C25.134)	A202	_____	_____	_____	_____
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If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? (AC Sec. C25.125)	A203	_____	_____	_____	_____
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Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less, and is the enterprise's policy for determining which items are treated as cash equivalents disclosed? (AC Sec. C25.106-.108)	A204	_____	_____	_____	_____
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Are the components of the cash flow statement shown at "gross" and not "net" amounts? (AC Sec. C25.109-.111A)	A206	_____	_____	_____	_____
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Other

Are the statement formats and disclosures generally consistent with the appropriate AICPA industry audit guides and statements of position?	A208	_____	_____	_____	_____
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If the organization's tax-exempt status is in question by the IRS, is the potential impact disclosed in a footnote? (AC Sec. C59.101 and .145)	N156	_____	_____	_____	_____
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If the organization incurs income tax expense, do the notes to the financial statements disclose the amount of the unrelated business income tax and describe the nature of the activities that generated that unrelated business income tax? (ACNO, Ch. 13, par. 13.50)	N157	_____	_____	_____	_____
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II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
In planning the audit engagement, did the auditor properly consider:					
Matters affecting the environment in which the entity operates, such as accounting practices, economic conditions, laws and governmental regulations, and technological changes? (AU Secs. 311.03 and 801.10)	A300	_____	_____	_____	_____
Matters affecting the entity's operations, such as legal organization and types of services and contractual obligations? (AU Sec. 311.03 and .04)	A301	_____	_____	_____	_____
The entity's status as a nongovernmental NFPO or a governmental entity and the applicability of FASB GAAP for NFPOs and GASB Statement No. 29?	N201	_____	_____	_____	_____
If applicable, the need for compliance auditing and, if so, the applicability of SAS No. 74 or Statement on Standards for Attestation Engagements (SSAE) No. 3, <i>Compliance Attestation</i> ? [AU Sec. 801.01, fn 4 (SAS No. 74, as amended by SAS No. 75)]	N202	_____	_____	_____	_____
Preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.08)	A302	_____	_____	_____	_____
Did the auditor consider the applicability of OMB Circular A-133?	N203	_____	_____	_____	_____
Did the auditor communicate to management (and the audit committee or others with equivalent authority) about an audit requirement that may not be encompassed in the terms of the engagement, and that an audit in accordance with generally accepted auditing standards may not satisfy the relevant legal, regulatory or contractual requirements? (Communication may be oral or in writing. If the communication is oral, the auditor should document the communication in the working papers.) (AU Sec. 801.21-.23 and SOP 92-9, Ch. 1, par. 1.7, fn 6)	G261	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), did the auditor:					
Make an assessment of the risk of material misstatements of the financial statements, including the risk that errors, irregularities and illegal acts (also inadequate control of contributions and violations of laws and regulations) may cause the financial statements to be materially misstated? (AU Secs. 312.12, 316A.05, and 317.05)	A303	_____	_____	_____	_____
Assess the risk of management misrepresentation by reviewing information obtained about risk factors and internal control? (AU Sec. 316A.12)	A304	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Design the audit to provide reasonable assurance of detecting errors and irregularities and direct effect illegal acts that could be material to the financial statements? (AU Secs. 316A.05 and 317.05)	A305	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997):					
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors in the categories stated in paragraphs 16 and 18 of SAS No. 82, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present?	A306	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response?	A307	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing, and extent of audit procedures? (AU Sec. 329.01 and .06)	A308	_____	_____	_____	_____
If the auditor succeeded another auditor, did the auditor:					
Communicate with the predecessor auditor to ascertain whether there were disagreements between the predecessor auditor and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client? (AU Sec. 315.03 and .06)	A309	_____	_____	_____	_____
Obtain satisfaction as to the account balances at the beginning of the year and consistency of the application of accounting principles in the year being audited as compared with the preceding year? (AU Sec. 315.08)	A310	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322)	A311	_____	_____	_____	_____
Did the auditor:					
Obtain a sufficient understanding of the entity's internal controls, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.16, 324.07-.10, and 326.18)	A312	_____	_____	_____	_____
Document the understanding of internal controls? (AU Sec. 319.26)	A313	_____	_____	_____	_____
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A314	_____	_____	_____	_____
Document the basis of the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls supports the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A315	_____	_____	_____	_____
If the entity transmits, processes, maintains, or accesses significant information by electronic means and it is not practical or possible to					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
reduce detection risk to an acceptable level by performing only substantive tests for one or more financial statements assertions, did the auditor perform tests of controls? (AU Sec. 326.14)	A316	_____	_____	_____	_____
If the methods used by the client to process significant accounting information include the use of a service organization, was consideration given to the controls at the service organization that may affect the processing of the client's transactions and internal controls? (AU Sec. 324.07-.10)	A317	_____	_____	_____	_____
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained, were tests performed by the auditor at the service organization, or were tests of the client's controls over the activities of the service organization performed by the auditor? (AU Sec. 324.14-.16)	A318	_____	_____	_____	_____
If a specialist was used (e.g., actuary, appraiser, engineer, environmental consultant, or geologist):					
Were the appropriate considerations and evaluations made in accordance with professional standards? (AU Sec. 336)	A323	_____	_____	_____	_____
Were appropriate procedures applied to the specialist's findings? (AU Sec. 336.12)	A324	_____	_____	_____	_____
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA Industry Audit Guides)	A325	_____	_____	_____	_____
Was the audit program responsive to the needs of the engagement, and the understanding of the internal control, including whether electronic evidential matter may only exist for a specified period of time, obtained during the planning process? (AU Secs. 311.05 and 319.05)	A326	_____	_____	_____	_____
Was consideration given to the applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A327	_____	_____	_____	_____
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A328	_____	_____	_____	_____
Have all the procedures called for in the audit program been signed when completed? (AU Sec. 339)	A329	_____	_____	_____	_____
If statistical or nonstatistical sampling was used in tests of controls (AU Secs. 319 and 350):					
Does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population when planning the sample? (AU Sec. 350.31)	A330	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A331	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of planned substantive procedures reevaluated based on a revised consideration of the assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A332	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A333	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A334	_____	_____	_____	_____
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
Does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU Sec. 350.16)	A335	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A336	_____	_____	_____	_____
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A337	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A338	_____	_____	_____	_____
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications? (AU Sec. 350.30)	A339	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	_____	_____	_____	_____
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A341	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A342	_____	_____	_____	_____
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A343	_____	_____	_____	_____
Were specific procedures for determining the existence of related parties and examining identified related party transactions applied? (AU Sec. 334)	A344	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor obtain written, timely and appropriate representations from management and was the representation letter properly dated? (AU Secs. 333, 801.07c, and ACNO, Ch. 2, pars. 2.44–2.46)	A345	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entity's attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08–.14)	A346	_____	_____	_____	_____
Have all questions, exceptions, or notes been followed up and resolved, including consideration of the views obtained from responsible officials of the organization?	A347	_____	_____	_____	_____
Was appropriate consideration given to all passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A348	_____	_____	_____	_____
During the performance of the engagement, did the auditor: (If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement [effective for audits of financial statements for period ending on or after December 15, 1997])					
Follow up on errors and irregularities in accordance with professional standards? (AU Sec. 316A.22–.29)	A349	_____	_____	_____	_____
Consider the implications for other aspects of the audit of an audit adjustment that the auditor has determined is, or may be, an irregularity and has either determined that the effect could be material or has been unable to evaluate the materiality? (AU Sec. 316A.25)	A350	_____	_____	_____	_____
Obtain assurance that the audit committee or others with equivalent authority and responsibility had been adequately informed of all but clearly inconsequential irregularities identified during the engagement? (AU Sec. 316A.28)	A351	_____	_____	_____	_____
(If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement [effective for audits of financial statements for period ending on or after December 15, 1997]):					
If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indicative of fraud and evaluate the implications involved as described in paragraphs 34–36 of SAS No. 82?	A352	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented?	A353	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements?	A354	_____	_____	_____	_____
When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)?	A355	_____	_____	_____	_____
When the auditor's procedures disclosed instances or indications of illegal acts did the auditor (ACNO, Ch. 2, pars. 2.26-2.31):					
Follow up on the illegal acts in accordance with professional standards? (AU Sec. 317.10 and .11)	A356	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A357	_____	_____	_____	_____
Communicate directly with the audit committee if the illegal act involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention except those that are clearly inconsequential were adequately communicated? (AU Sec. 317.17)	A358	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A360	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the entity's ability to continue for a reasonable period of time, did the auditor obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and evaluate the likelihood that such plans could be implemented effectively? (AU Sec. 341.03(b))	A362	_____	_____	_____	_____
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with the mitigating factors? (AU Sec. 341.11)	A363	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph which adequately communicates the auditor's substantial doubt (e.g., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12 and .13)	A364	_____	_____	_____	_____
During the performance of the audit:					
If the auditor identified reportable conditions, were they communicated to the audit committee, management and others within the					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
organization in a time frame influenced by the relative significance of the matters noted and urgency of corrective action(s), and if the communication was oral, was it documented in the working papers? (AU Sec. 325.09 and .18)	A365	_____	_____	_____	_____
Do the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A366	_____	_____	_____	_____
If a report was issued on reportable conditions, did it indicate that the purpose of the audit was to report on the financial statements and not to provide assurance on internal controls, and did it include the definition of reportable conditions and the restriction on distribution? (AU Sec. 325.11)	A367	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a written representation stating that no reportable conditions were noted during an audit? (AU Sec. 325.17)	A368	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date, but prior to the date of the report? (AU Sec. 560)	A370	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date that might have affected the report, had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 561)	A371	_____	_____	_____	_____
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A372	_____	_____	_____	_____
Where there is an audit committee or some other formal oversight group, did the auditor (ACNO, Ch. 2, par. 2.43):					
Ensure that the appropriate matters were communicated to those who have responsibility for oversight of the financial reporting process? (AU Sec. 380.01 and .02)	A373	_____	_____	_____	_____
If the communication was in writing, include a statement that it is intended solely for the use of the audit committee or the board of directors and, if appropriate, management? (AU Sec. 380.03)	A374	_____	_____	_____	_____
If the communication was oral, document the information communicated by appropriate memoranda or notations in the working papers? (AU Sec. 380.03)	A375	_____	_____	_____	_____

III. AUDITS OF GOVERNMENTAL GRANTEEES

Note: These questions are derived from Statement on Auditing Standards Nos. 74 and 75, the U.S. General Accounting Office's *Government Auditing Standards* (1994 Revision), and the Office of Management and Budget (OMB) Circular A-133 for federal "awards" and AICPA's Statement of Position 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*. OMB Circular A-133 has been revised for financial statements with fiscal years ending on or after June 30, 1997. Under those revisions, NFPOs that expend* \$300,000 or more a year in federal awards are required to have either a single or program specific audit for that year. Questions which incorporate those revisions have been added for use by reviewers on those engagements for which the new provisions were required to be applied. The previous OMB Circular A-133 is included in SOP 92-9 at its appendix A. SOP 92-9 is included in the AICPA Audit and Accounting Guide: *Not-for-Profit Organizations* at its appendix B, and also in AICPA *Technical Practice Aids*, Vol. 2, Sec. 11,260. Reviewers may wish to consult these documents for more detailed information on standards concerning the audits of governmental grantees. Accordingly, references to professional and governmental pronouncements have been provided in this section. The term "GAO" followed by the chapter and paragraph refers to *Government Auditing Standards* (1994 Revision).

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
For audits of entities subject to either the previous or revised provisions of OMB Circular A-133 (the revised provisions are effective for financial statements with fiscal years ending on or after June 30, 1997):					
Does the firm's understanding with the client include:					
Providing the firm's most recent external peer review report to the client? (GAO, Ch. 3, par. 3.36)	N301	_____	_____	_____	_____
Arrangements for access to the working papers by other auditors and oversight officials as applicable? (GAO, Ch. 4, pars. 4.36 and 4.38, and OMB2, par. .515b)	N302	_____	_____	_____	_____
Does the engagement letter, proposal or contract, if such documents were prepared, include a statement as to what type of engagement is being performed and whether the engagement is intended to meet a governmental oversight agency's audit requirements? (SOP 92-9, Ch. 3, par. 3.62)					
	N303	_____	_____	_____	_____
Does the auditor's report on the financial statements:					
Include reference to GAAS and to Government Auditing Standards issued by the Comptroller General of the United States? (ASL GU, Appendix A, Example A.1, fn 2, and GAO, Ch. 5, par. 5.11)	N304	_____	_____	_____	_____
Describe or make reference to separate reports that describe the scope of the auditor's testing of compliance with laws and regulations, and of internal controls, and present the results of those tests? If the certain information is prohibited from general disclosure, did the audit report state the nature of the informa-					

* An award is considered to be expended when the activity related to the award occurs. (OMB2, par. .205a) Also, federal awards expended as a recipient or a subrecipient, but not as a vendor, are subject to a single or program specific audit. (OMB2, par. .210)

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
tion omitted and the requirement that makes the omission necessary? (GAO, Ch. 5, pars. 5.15–5.17 and 5.29)	N305	_____	_____	_____	_____
When illegal acts involve funds received from other governmental entities, did the auditors assure themselves that the audited entity notified the proper officials of the entities within a reasonable time? If the entity did not, or was unable to do so because a top official was involved, has the auditor reported these acts to the appropriate oversight body and officials of those other governmental entities? (GAO, Ch. 5, par. 5.23 and SOP 92-9, Ch. 6, par. 6.15, Ch. 7, pars. 7.17 and 7.18)	N306	_____	_____	_____	_____
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore, and how not following the standard affected the results of the audit? (GAO, Ch. 5, par. 5.12)	N307	_____	_____	_____	_____
If required by contractual obligations, were findings presented in accordance with the guidance in the <i>Government Auditing Standards</i> regarding reporting on performance audits? (GAO, Ch. 7)	N308	_____	_____	_____	_____
Was consideration given to the accounting and auditing guidance issued by the Office of Management and Budget, including Circulars A-133 (Audits of States, Local Governments, and Non-Profit Organizations), A-21 (Cost Principles for Educational Institutions), A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Institutions) and A-122 (Cost Principles for Nonprofit Organizations)?	N309	_____	_____	_____	_____
Did the auditor properly consider the potential effects of instances of noncompliance and questioned costs in reporting on the entity's financial statements and individual financial awards?	N310	_____	_____	_____	_____
If warranted, did the auditor communicate with the cognizant agency to avoid or minimize any disagreements or problems? (SOP 92-9, Ch. 3, par. 3.12)	N311	_____	_____	_____	_____
Does the client letter of representations include specific representations about matters relating to federal awards as part of the compliance audit? (AU Sec. 801.10d, fn 10 and SOP 92-9, Ch. 6, par. 6.84)	N312	_____	_____	_____	_____
Do the working papers contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments? (GAO, Ch. 4, par. 4.35)	N313	_____	_____	_____	_____
Are appropriate personnel in compliance with the Yellow Book CPE requirements? (GAO, Ch. 3, par. 3.6)	N314	_____	_____	_____	_____
Was appropriate assurance of independence considered on three levels: personal, external and organizational and did the auditor maintain an independent attitude and appearance? (GAO, Ch. 3, pars. 3.11–3.25)	N315	_____	_____	_____	_____

\$20,600

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor submit the report(s) to the appropriate officials of the organization audited in a timely manner? (GAO, Ch. 5, par. 5.34)	N316	_____	_____	_____	_____
Has the auditor's firm established procedures for retention of and access to working papers including consideration of Interpretation No. 1 of SAS No. 41 (AU Sec. 9339) and the requirements of OMB, par. 17 (SOP 92-9, Appendix A) and OMB2, par. .515a:					
Retaining working papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period?	N317	_____	_____	_____	_____
Making the working papers available upon request to the cognizant agency or its designee or the GAO, at the completion of the audit?	N318	_____	_____	_____	_____
For audits of entities subject to the revised provisions of OMB Circular A-133 (effective for financial statements with fiscal years ending on or after June 30, 1997):					
For each single audit conducted, did the audit cover the departments, agencies or other organizational units which expended or otherwise administered the federal awards? [ACT, Sec. 7502(b)(1) (3)(d)]	N319	_____	_____	_____	_____
Has the auditor (firm) established policies or procedures for complying with the Act's requirements to make the working papers available to the federal agency or the Comptroller General as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities as well as to include the right to obtain copies? [ACT, Sec. 7503(f)]	N320	_____	_____	_____	_____
Were major programs (Type A) identified by the auditor using a risk-based approach which considered the following: (OMB2, pars. .520a and .525)					
If this is a first-year audit (i.e., the first year the entity is audited under OMB Circular A-133 or the first year of a change of auditors) did the auditor elect to determine major programs as all Type A programs and any Type B programs as necessary to meet the percentage of coverage in question N335 below? (Note: The election may not be used by an auditee more than once every three years.) (OMB2, par. .520i)	N321	_____	_____	_____	_____
Current and prior audit experience?	N322	_____	_____	_____	_____
Oversight by federal agencies and pass through entities?	N323	_____	_____	_____	_____
Inherent risk of the Federal program?	N324	_____	_____	_____	_____
Were all Type A programs identified based on the following: (OMB2, par. .520b)					
Federal programs with federal awards expended during the audit period exceeding the larger of:					
\$300,000 or 3% of total federal awards expended (when total federal awards expended were between \$300,000 and \$100 million)?	N325	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
\$3 million or .3% of total federal awards expended (when total federal awards expended were between \$300,000 and \$100 million)?	N326	_____	_____	_____	_____
\$30 million or .15% of total federal awards expended (when total federal awards expended exceeded \$10 billion)?	N327	_____	_____	_____	_____
Did the auditor classify all federal programs that did not meet the criteria of a Type A program, as noted above, as a Type B program? (OMB2, par. .520b(2))	N328	_____	_____	_____	_____
Did the auditor identify all Type A programs which are low risk based on the following: (OMB2, par. .520c)					
Audited as a major program in at least one of the two most recent audit periods? and	N329	_____	_____	_____	_____
There were no audit findings identified in that most recent audit period?	N330	_____	_____	_____	_____
Did the auditor identify all Type B programs which are high risk based on the criteria noted in questions N320 through N322 above? (OMB2, par. .520d)	N331	_____	_____	_____	_____
Did the auditor audit, at a minimum, the following major programs: (OMB2, par. .520e)					
All Type A programs, except those identified as low-risk?	N332	_____	_____	_____	_____
High-risk Type B programs using either of the following:					
At least one-half of all high-risk Type B programs? (See question N329 above.) (<i>Note:</i> The auditor is not required to audit more high-risk Type B programs than the number of low-risk Type A programs identified.)	N333	_____	_____	_____	_____
One high-risk Type B program for each low-risk Type A program?	N334	_____	_____	_____	_____
Did the audit of major programs include at least 50% of the total federal awards expended or at least 25% of total federal awards expended for a low-risk auditee? (OMB2, par. .520f)	N335	_____	_____	_____	_____
Did the auditor document in the workpapers the risk analysis performed to determine major programs? (OMB2, par. .520g)	N336	_____	_____	_____	_____
Did the auditor obtain an understanding of the internal controls over federal programs sufficient to enable the auditor to assess control risk relevant to the compliance requirements for each major program below the maximum? (OMB2, par. .500c)	N337	_____	_____	_____	_____
If the internal controls over federal programs weren't sufficient to enable the auditor to assess control risk below the maximum, did the auditor identify and report a reportable condition or a material weakness and assess control risk at the maximum? (OMB2, par. .500c(3))	N338	_____	_____	_____	_____
Did the auditor test whether the entity was in compliance with applicable laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
major program in accordance with the requirements of the OMB Circular A-133 compliance supplement? (OMB2, par. .500d)	N339	_____	_____	_____	_____
Did the auditor perform procedures sufficient to form an opinion on the Schedule of Expenditure of Federal Awards as to whether or not the schedule was presented fairly in relation to the entity's financial statements? (OMB2, par. .500b)	N340	_____	_____	_____	_____
Did the auditor determine whether the summary schedule of prior audit findings was reasonable and included the following: (OMB2, pars. .315b and .500e)					
For fully corrected audit findings, a description of the audit finding and that corrective action(s) was taken.	N341	_____	_____	_____	_____
For audit findings not corrected or partially corrected, a description of the audit finding and the planned corrective action and any partial corrective action taken?	N342	_____	_____	_____	_____
For corrective actions taken which differed significantly from that previously reported, the reason for the change?	N343	_____	_____	_____	_____
For audit findings which are no longer valid or don't warrant further action (audit findings which do not warrant further action are those for which two years have passed since the audit report in which the finding was reported, the federal agency is not currently following up with the auditee in reference to that finding and a management decision was not issued), a description of the audit finding and the reasons why it's no longer valid or further action isn't warranted?	N344	_____	_____	_____	_____
Did the auditor complete the applicable sections of the Data Collection Form, and include a signed statement that indicates the source of the information on the form, the auditor's responsibility for such information, that the form isn't a substitute for the reporting package and that the content of the form is limited to the data elements prescribed by the OMB? (OMB2, par. .320b(3))	N345	_____	_____	_____	_____
Was a reporting package issued which included the following:					
An opinion as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion as to whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the financial statements? (OMB2, par. .505a)	N346	_____	_____	_____	_____
A report on the internal controls related to the financial statements and major programs, which includes a description of the testing performed and the results of those tests and if applicable, refers to the Schedule of Findings and Questioned Costs? (OMB2, par. .505b)	N347	_____	_____	_____	_____
An opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements which have a direct and material effect for each major program and if applicable, refers to the Schedule of Findings and Questioned Costs? (OMB2, par. .505c)	N348	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A Schedule of Findings and Questioned Costs for major programs which includes:					
A summary of the auditor's results, including the type of opinion issued on the financial statements, where applicable, a statement that reportable conditions were disclosed and whether they represent material weaknesses; a statement as to whether any noncompliance which is material to the financial statements was noted; the type of opinion issued in relation to compliance for major programs; a statement as to whether the audit disclosed any audit findings; an identification of major programs; the dollar threshold used to distinguish between Type A and Type B programs; and a statement as to whether the auditee was considered to be low-risk?	N349	_____	_____	_____	_____
Findings related to the financial statements and required by GAGAS to be reported?	N350	_____	_____	_____	_____
Findings and questioned costs for federal awards?	N351	_____	_____	_____	_____
Did the audit findings included in the Schedule of Findings and Questioned Costs include the following: (OMB2, par. .510a)					
Reportable conditions in internal controls over major programs?	N352	_____	_____	_____	_____
Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	N353	_____	_____	_____	_____
Known questioned costs greater than \$10,000 for each type of compliance requirement for a major program?	N354	_____	_____	_____	_____
Likely questioned costs greater than \$10,000 for each type of compliance requirement for a major program?	N355	_____	_____	_____	_____
Known questioned costs greater than \$10,000 for a federal program which isn't considered to be a major program?	N356	_____	_____	_____	_____
Circumstances concerning why the opinion on compliance for major programs is other than unqualified, if applicable, and unless already reported as audit findings?	N357	_____	_____	_____	_____
Known fraud affecting a federal award, unless already reported as audit findings?	N358	_____	_____	_____	_____
Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit findings?	N359	_____	_____	_____	_____
Did each audit finding include the following: (OMB2, par. .510b)					
Federal program name, CFDA title and number, federal award number and year, name of federal agency, and name of applicable pass-through entity?	N360	_____	_____	_____	_____
Criteria or specific requirement upon which the audit finding is based?	N361	_____	_____	_____	_____
Condition found?	N362	_____	_____	_____	_____

\$20,600

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Identification of questioned costs and how they were computed?	N363	_____	_____	_____	_____
Information to provide proper perspective for judging the prevalence and consequences of the audit findings and whether they are isolated or systemic?	N364	_____	_____	_____	_____
Recommendations to prevent future occurrences?	N365	_____	_____	_____	_____
Views of responsible officials of the entity if a disagreement with the audit finding exists?	N366	_____	_____	_____	_____
A reference number? (OMB2, par. .510c)	N367	_____	_____	_____	_____
Was the reporting package submitted to the appropriate parties the earlier of 30 days after receipt by the auditee or nine months after the end of the audit period? (<i>Note:</i> for financial statements with fiscal years beginning on or before June 30, 1998, the reporting package is required to be submitted the earlier of 30 days after receipt by the auditee or thirteen months after the end of the audit period.) (OMB2, par. .320a)	N368	_____	_____	_____	_____
Did the auditor designate the auditee as low-risk, and thus be allowed to reduce the level of audit coverage over major programs (see question N335), only if all of the following conditions were met for each of the preceding two years: (OMB2, par. .530)					
Annual single audits were performed?	N369	_____	_____	_____	_____
Unqualified opinions were issued in relation to the financial statement and the Schedule of Expenditures of Federal Awards?	N370	_____	_____	_____	_____
No deficiencies in internal controls were identified as material weaknesses?	N371	_____	_____	_____	_____
None of the Type A programs had audit findings from internal control deficiencies which were identified as material weaknesses, noncompliance with provisions of laws, regulations, contracts, or grant agreements which have a material effect on Type A programs or known or likely questioned costs which exceed five percent of total federal awards expended for Type A programs during the audit period?	N372	_____	_____	_____	_____
Has the auditor evaluated controls over grants to subrecipients? (OMB2, par. .300b)	N373	_____	_____	_____	_____
Has the auditor performed procedures to determine that pass-thru entities have not used federal funds for audits of subrecipients that received less than \$300,000? (OMB2, par. .230b(2))	N374	_____	_____	_____	_____
Program-Specific audits:					
Did the auditor contact the Office of the Inspector General of the applicable federal agency to determine whether a program specific audit guide exists? (OMB2, par. .235a)	N375	_____	_____	_____	_____
If a program-specific audit guide exists, did the auditor conduct the audit in accordance with GAGAS and the program-specific audit guide? (OMB2, par. .235a)	N376	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If a program specific audit guide was not available, did the auditor:					
Perform an audit of the financial statements of the federal program in accordance with GAGAS? (OMB2, par. .235b(3)(ii))	N377	_____	_____	_____	_____
Assess control risk at the maximum and report a reportable condition or material weakness if internal controls over the program did not prevent or detect noncompliance?	N378	_____	_____	_____	_____
Perform procedures to determine whether or not the entity was in compliance with applicable laws, regulations, and the provisions of contracts or grant agreements related to the federal program? (OMB2, par. .235b(3)(iii))	N379	_____	_____	_____	_____
Determine whether or not the Summary Schedule of prior audit findings was reasonable? (See questions N346 through N351 for information required to be included in the schedule.) (OMB2, par. .235b(3)(iv))	N380	_____	_____	_____	_____
Issue a reporting package which included all of the reports noted in question N333? (OMB2, par. .235b(4))	N381	_____	_____	_____	_____
Was the reporting package submitted to the appropriate parties within the time period outlined in question N366? (OMB2, par. .235c)	N382	_____	_____	_____	_____
For audits of entities which were not yet subject to the revised provisions of OMB Circular A-133 (the revised provisions are effective for financial statements with fiscal years ending on or after June 30, 1997):					
Does the language in the auditor's reports conform with professional standards, including references to GAAS and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAO, Ch. 5, par. 5.11 and SOP 92-9, Appendix D, Exhibits D-1 through D-18 and Ch. 7, par. 7.40) and appropriately cover the following for the entity as a whole:	N383	_____	_____	_____	_____
The financial statements? (SOP 92-9, Ch. 2, par. 2.38)	N384	_____	_____	_____	_____
The internal control structure related matters based solely on the auditor's understanding of the internal control structure and assessment of control risk made as part of the audit of the financial statements (GAO, Ch. 5, pars. 5.15-5.17 and 5.26-5.28, SOP 92-7, SOP 92-9, Ch. 5, par. 5.8 and Ch. 7, pars. 7.5 and 7.9) that includes:	N385	_____	_____	_____	_____
Scope? (SOP 92.7 and GAO, Ch. 5, par. 5.17)	N386	_____	_____	_____	_____
Reference to a separate letter, if applicable, describing identified nonreportable conditions? (GAO, Ch. 5, par. 5.28)	N387	_____	_____	_____	_____
Which matters are reportable conditions and which of the reportable conditions are material weaknesses? (GAO, Ch. 5, par. 5.27 which makes reference to Ch. 7, pars. 7.34-7.37)	N388	_____	_____	_____	_____
Appropriate language when no reportable conditions were noted? [SOP 92-9, Ch. 7, par. 7.12 (TPA Sec. 11,260.315) and Appendix D, Exhibit D-3 (TPA Sec. 11,260.362) provide guid-					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
ance on how to comply with both GAO, Ch. 5, par. 5.15 and the SAS No. 60 (AU Sec. 325.17) prohibition from issuing a written report representing that no reportable conditions were noted during an audit.]	N389	_____	_____	_____	_____
Compliance with applicable laws and regulations, including a summary of all material instances of noncompliance and/or instances or indications of irregularities and illegal acts except those that are clearly inconsequential (GAO, Ch. 5, pars. 5.15 and 5.16 and SOP 92-9, Ch. 7, par. 7.13) that includes:	N390	_____	_____	_____	_____
Presentation of material instances of noncompliance with laws and regulations in accordance with the guidance in <i>Government Auditing Standards</i> regarding issuance of a report on compliance? (GAO, Ch. 5, pars. 5.15 and 5.16 and SOP 92-9, Ch. 7, par. 7.16)	N391	_____	_____	_____	_____
Reference to a separate letter, if applicable, describing immaterial instances of noncompliance? (GAO, Ch. 7, par. 7.29 and SOP 92-9, Ch. 7, par. 7.16)	N392	_____	_____	_____	_____
Do the OMB A-133 Reports also include:					
Auditor's report on the schedule of federal awards? (SOP 92-9, Ch. 4, and ACNO Appendix B, Exhibits D-1 and D-2)	N393	_____	_____	_____	_____
Auditor's report on the internal control structure used in administering federal awards in order to ensure that the entity's internal control structure was designed to provide reasonable assurance that federal programs are being managed in compliance with laws and regulations including (SOP 92-7, and SOP 92-9, Appendix D, Exhibit D-8):	N394	_____	_____	_____	_____
The controls that were evaluated (considered and tested)? (SOP 92-9, par. 2.40)	N395	_____	_____	_____	_____
The controls that were not evaluated (tested)? (SOP 92-9, par. 2.40)	N396	_____	_____	_____	_____
The material weaknesses identified as a result of the evaluation (considered and tested)? (SOP 92-9, par. 2.40)	N397	_____	_____	_____	_____
Major programs—Compliance reports—Specific requirements:					
An opinion that the entity complied, in all material respects, with <i>specific</i> requirements that, if not complied with, could have a material effect? (SOP 92-9, Appendix D, Exhibit D-9)	N398	_____	_____	_____	_____
Nonmajor programs—Compliance reports—Specific requirements:					
A statement of positive assurance with respect to the items tested and a statement of negative assurance on those items not tested concerning material instances of noncompliance with specific requirements of nonmajor programs? (SOP 92-9, Appendix D, Exhibit D-18)	N399	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Major and nonmajor programs—Compliance auditing—General requirements:					
A statement of positive assurance with respect to those items tested and negative assurance on those items not tested concerning material instances of noncompliance with the general requirements relating to major programs? (SOP 92-9, Appendix D, Exhibit D-15)	N400	_____	_____	_____	_____
When appropriate, did the auditor properly modify the report on compliance, which presented material instances of noncompliance with laws and regulations in accordance with the guidance in <i>Government Auditing Standards</i> regarding reporting on performance audits? (SOP 92-9, Appendix D, Exhibit D-16)	N401	_____	_____	_____	_____
When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal act, or indications of such acts? (GAO, Ch. 5, pars. 5.21–5.25 which make reference to Ch. 7, pars. 7.30 and 7.31 and SOP 92-9, Ch. 7, pars. 7.17 and 7.18)	N402	_____	_____	_____	_____
Did the report(s) disclose the status of all known, but uncorrected significant or material findings and recommendations from prior audits that affect current audit objectives? (GAO, Ch. 4, par. 4.10 and SOP 92-9, Ch. 3, pars. 3.47 and 3.48)	N403	_____	_____	_____	_____
Did the auditor document communication of those nonreportable conditions in the internal control structure not included in the required reports? (GAO, Ch. 5, par. 5.20 and SOP 92-9, Ch. 5, par. 5.26)	N404	_____	_____	_____	_____
If the entity is subject to OMB Circular A-133 did the auditor include a description of all instances of noncompliance in the audit reports or include a reference to a separate communication? (SOP 92-9, Ch. 6, par. 6.71)	N405	_____	_____	_____	_____
If a separate communication was prepared to report on instances of immaterial noncompliance, was the communication to the institution in writing? (SOP 92-9, Ch. 6, par. 6.71)	N406	_____	_____	_____	_____
Did the auditor, by reviewing contract files and receipts and disbursements, obtain reasonable assurance that the entity appropriately identified all federal financial assistance and included that assistance within the audit scope? (SOP 92-9, Ch. 6, par. 6.17)	N407	_____	_____	_____	_____
Does the schedule of federal financial assistance program expenditures present the following [SOP 92-9, Ch. 4, par. 4.8 and Appendix A, OMB Circular A-133, par. 15C(1)]:					
Identification of each program as identified in the <i>Catalog of Federal Domestic Assistance</i> (CFDA) and by Federal agency and CFDA number?	N408	_____	_____	_____	_____
Identification of totals for student financial aid and research and development?	N409	_____	_____	_____	_____
Other federal awards? (Those programs that have not been assigned a catalog number)	N410	_____	_____	_____	_____

\$20,600

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Total expenditures for each federal award program classified by grantor, department, or agency?	N411	_____	_____	_____	_____
Total federal award expenditures?	N412	_____	_____	_____	_____
Do the working papers indicate that consideration was given to prior audits of government financial assistance programs that disclosed questioned or disallowed costs, or instances of noncompliance? (GAO, Ch. 4, par. 4.10)	N413	_____	_____	_____	_____
Did the auditor perform the required level of internal control structure review, to include: (SOP 92-9, Ch. 5)					
The consideration and testing of those internal control structure policies and procedures, relating to both specific and general requirements, used in administering major federal financial assistance programs, comparable to that which the auditor would perform if the auditor intended to assess control risk below the maximum level? [SOP 92-9, Ch. 5, pars. 5.16-5.22 (TPA Sec. 11,260.207-.213)]	N414	_____	_____	_____	_____
If warranted, the consideration and testing of the internal control structure policies and procedures, used in administering nonmajor programs, to the same extent as in Question N414 above so that controls over at least 50 percent of total federal financial assistance program expenditures are tested? [SOP 92-9, Ch. 5, par. 5.23 (TPA Sec. 11,260.214)]	N415	_____	_____	_____	_____
A sufficient understanding of the internal control structure for the systems used in administering other nonmajor federal financial assistance programs? [SOP 92-9, Ch. 5, par. 5.24 (TPA Sec. 11,260.215)]	N416	_____	_____	_____	_____
For the categories of controls for which tests were performed:					
Do the working papers document the auditor's understanding of the structure? (AU Sec. 319.26)	N417	_____	_____	_____	_____
In the judgment of the reviewer, were the nature and extent of tests of controls sufficient to enable the auditor to determine if the appropriate policies and procedures were being applied as described? (AU Sec. 319)	N418	_____	_____	_____	_____
Did the auditor include the recipient's system for ensuring subrecipients' compliance, and obtaining and acting on subrecipients' audit reports? (OMB Circular A-133, par. 13b(2)(B) in Appendix A of SOP 92-9 (TPA Sec. 11,260.359))	N419	_____	_____	_____	_____
Do the working papers adequately document the work performed and the conclusions reached? (AU Sec. 319 and GAO Ch. 4, pars. 4.34-4.38)	N420	_____	_____	_____	_____
In determining whether the entity complied with applicable laws and regulations that may have a material effect on each major federal financial awards program, did the auditor:					
Identify all major programs as defined in OMB Circular A-133?	N421	_____	_____	_____	_____
Consult appropriate sources, such as OMB's Compliance Supplement for Audits of Institutions and Other Non-Profit Organizations (revised October 1991), statutes, regulations, and agree-					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
ments covering individual programs, in order to identify the specific compliance requirements that apply to each major program and to determine which requirements to test? (SOP 92-9, Ch. 1, pars. 1.23–1.28 and Ch. 6, par. 6.36)	N422	_____	_____	_____	_____
Consider materiality in relation to each major federal awards program? (SOP 92-9, Ch. 6, pars. 6.21 and 6.30–6.35)	N423	_____	_____	_____	_____
Select a representative number of charges from each major program? (SOP 92-9, Ch. 6, pars. 6.26–6.29)	N424	_____	_____	_____	_____
Perform and document tests to determine whether (SOP 92-9, Ch. 6, par. 6.36):					
The amounts reported as expenditures were allowable under federal regulations and contracts? (SOP 92-9, Ch. 6, par. 6.36)	N425	_____	_____	_____	_____
Only eligible persons or organizations received services or benefits? (AU Sec. 801.58b)	N426	_____	_____	_____	_____
Matching requirements, levels-of-effort, and earmarking limitations were met?	N427	_____	_____	_____	_____
Federal financial reports and claims for advances and reimbursements were supported by the records supporting the financial statements?	N428	_____	_____	_____	_____
The entity complied with other provisions for which federal agencies have determined that noncompliance could materially affect the program?	N429	_____	_____	_____	_____
Perform and document tests to determine whether the entity complied with each of the general requirements contained in the compliance supplement concerning (GAO, Ch. 4, and SOP 92-9, Ch. 1, pars. 1.26–1.28 and Ch. 6, pars. 6.53–6.61):					
Political activity?	N430	_____	_____	_____	_____
Civil rights?	N431	_____	_____	_____	_____
Davis-Bacon Act?	N432	_____	_____	_____	_____
Cash management?	N433	_____	_____	_____	_____
Relocation assistance and real property acquisition?	N434	_____	_____	_____	_____
Federal financial reports?	N435	_____	_____	_____	_____
Allowable costs/cost principles?	N436	_____	_____	_____	_____
Drug-free workplace act?	N437	_____	_____	_____	_____
Administrative requirements?	N438	_____	_____	_____	_____
Consider projected questioned costs from all audit sampling applications and all specifically identified questioned costs? (GAO Ch. 5, par. 5.19 which makes reference to Ch. 7, par. 7.28)	N439	_____	_____	_____	_____
Consider whether the tests of compliance with the program's requirements appear adequate to support the report(s) on compliance? (SOP 92-9, Ch. 6, par. 6.16)	N440	_____	_____	_____	_____

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Where transactions related to nonmajor federal financial assistance programs have been selected during other audit procedures, have they been appropriately tested for compliance with the specific federal laws, regulations, or requirements? (SOP 92-9, Ch. 6, pars. 6.23-6.25)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
N441	_____	_____	_____	_____

Program Specific Audits (SOP 92-9, Ch. 2, pars. 2.26-2.35)

Where the auditor has been engaged to conduct a program specific audit, did the auditor obtain an understanding of the audit requirements for that particular program? (AU Sec. 801.14)

N442	_____	_____	_____	_____
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If the auditor expressed a qualified opinion, did he/she disclose all of the substantive reasons for doing so? (AU Sec. 508.39)

N443	_____	_____	_____	_____
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IV. WORKING PAPER AREAS

Note: Complete the sections determined to be key areas. Commitments and Contingencies; Revenues, Expenses, and Support; and Other are not optional and must always be completed. In the audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions concerning the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a *key* audit area for that engagement, the reviewer should place an "X" in the box below the name of the working paper area. (As indicated on page 20,605, the reviewer should indicate the reason for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" below the area.)

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Cash					
<input type="checkbox"/> Not a key area					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine whether they were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Restrictions on cash balances?	A404	_____	_____	_____	_____
Confirmation of bank credit arrangements such as compensating balances?	A405	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of cash appear adequate? (AU Secs. 312 and 319)	A407	_____	_____	_____	_____
Receivables					
<input type="checkbox"/> Not a key area					
Were accounts, promises to give, and grant receivables confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330.24-.30 and .34)	A408	_____	_____	_____	_____
If confirmation work was performed prior to year-end, is there evidence that adequate substantive procedures were applied to the period from the confirmation date to the balance-sheet date?	A409	_____	_____	_____	_____
If a significant number and amount of accounts, promises to give and grants receivables selected for positive confirmation did not respond, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31-.35)	A410	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were significant notes receivable confirmed as of a date consistent with the auditor's assessment of inherent, control and detection risks? (AU Sec. 313)	A411	_____	_____	_____	_____
Were the results of confirmation and alternative procedures summarized, and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A412	_____	_____	_____	_____
Was collateral (if any) for receivables tested with respect to existence, ownership and value?	A413	_____	_____	_____	_____
Were procedures performed to provide evidence that receivables for promises to give were properly recorded as either unrestricted, temporarily restricted, or permanently restricted support? (ACNO, Ch. 5, pars. 5.35-5.39 and 5.69)	N444	_____	_____	_____	_____
Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are sold, pledged, assigned or otherwise encumbered?	A416	_____	_____	_____	_____
Was receivable work coordinated with tests of support and revenue, including cutoff tests?	A417	_____	_____	_____	_____
Were appropriate procedures applied to notes receivable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107) and recognition of related interest income? (AC Secs. I69 and F25.115A-.115K)	A418	_____	_____	_____	_____
If accounts receivable, other than contributions, confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34-.35)	A419	_____	_____	_____	_____
For long-term promises to give, were appropriate auditing procedures applied with respect to the accounting for present value? (AC Sec. C67.116 and ACNO, Ch. 5, par. 5.69)	N445	_____	_____	_____	_____
Has sufficient audit evidence been obtained to determine that impaired loans (e.g., impaired accounts receivable with terms exceeding one year, notes receivable and other loans), are carried at the present value of the loans' expected future cash flows discounted at the loans' effective interest rates, or at observable market prices, or at the fair value of the collateral if the loans are collateral dependent? (AC Sec. I08.111)	A420	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of receivables appear adequate? (AU Secs. 312 and 319)	A421	_____	_____	_____	_____
Inventories					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate tests of:					
Physical observation, if material? (AU Sec. 331.09-.13)	N446	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The clerical accuracy of the inventory?	A427	_____	_____	_____	_____
Costing methods and substantiation of costs used in pricing all elements (raw material, work-in-process and finished goods) of the inventory?	A428	_____	_____	_____	_____
Were the results of inventory observations and other tests summarized and were appropriate conclusions drawn?	A429	_____	_____	_____	_____
Do the working papers indicate that consideration was given to whether the inventory was carried at a lower of cost or market (including consideration of obsolete or slow-moving inventory)?	A431	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of inventories appear adequate? (AU Secs. 312 and 319)	A435	_____	_____	_____	_____
Investments					
<input type="checkbox"/> Not a key area					
Was the information on a summary schedule examined with respect to the description, purchase price and date, changes during the period, (i.e., purchases, sales) income, fair value, etc. of investments? (AU Sec. 332.23)	A436	_____	_____	_____	_____
Were securities either inspected or confirmed? (AU Sec. 332.04)	A437	_____	_____	_____	_____
Were market quotations or other evidence of the current value of investments inspected? (AU Sec. 322.24-.30)	A438	_____	_____	_____	_____
When investments are held by an outside custodian, who is authorized by the client to execute transactions without specific authorization of individual transactions, did the auditor consider the guidance in professional standards? (AU Sec. 324.16 and .18)	N447	_____	_____	_____	_____
Was the computation of realized and unrealized gains and losses tested by the auditor?	A441	_____	_____	_____	_____
Do the working papers indicate that risk of loss on repurchase agreements was properly considered? (GASB Secs. I50 and R10.110-.112)	N448	_____	_____	_____	_____
Do the working papers indicate that repurchase security transactions were reviewed for consistency with the disclosures of the terms or circumstances of the transactions? (GASB Secs. I50 and R10.110-.112)	N449	_____	_____	_____	_____
Was the classification of investments and related income and gains and losses examined for classification based on donor-imposed restrictions, if any? (ANCO, Ch. 8, par. 8.27)	N450	_____	_____	_____	_____
Were appropriate audit procedures performed related to split-interest agreements? (ANCO, Ch. 6)	N451	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of investments appear adequate? (AU Secs. 312 and 319)	A447	_____	_____	_____	_____
Prepaid Expenses, Intangible Assets, Deferred Charges, etc.					
<input type="checkbox"/> Not a key area					
Were adequate tests made for all material:					
Prepaid expenses?	A448	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Intangible assets? (AC Sec. I60)	A449	_____	_____	_____	_____
Deferred charges?	A450	_____	_____	_____	_____
Other?	A451	_____	_____	_____	_____
Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	A452	_____	_____	_____	_____
If insurance policies were pledged as collateral or subjected to premium financing, did the auditor consider whether the accounting for the related loans was appropriate? (AC Sec. I69)	A454	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate? (AU Secs. 312 and 319)	A455	_____	_____	_____	_____
Collections of Works of Art and Similar Items (ACNO, Ch. 7, pars. 7.05–7.14)					
<input type="checkbox"/> Not a key area					
If the collection has been capitalized, do the working papers indicate that the auditor tested the reasonableness of the collection's carrying value?	N452	_____	_____	_____	_____
Whether or not a collection was capitalized, are the tests adequate with respect to acquisitions and deaccessions?	N453	_____	_____	_____	_____
If the collection was capitalized:					
Were physical inventories observed at all locations where relatively large amounts were located?	N454	_____	_____	_____	_____
Do the working papers contain evidence that counts were correctly made and recorded (i.e., was control over inventory tags or count sheets maintained and were test count quantities reconciled with the quantities reflected in the final inventory)?	N455	_____	_____	_____	_____
If the collection was considered inexhaustible and was not capitalized, do the working papers indicate that the auditor:					
Obtained an understanding of and assessed control risk for the internal controls over the collection?	N456	_____	_____	_____	_____
Observed a physical inventory at all locations where relatively large amounts are located?	N457	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of collections of works of art and similar items appear adequate? (AU Secs. 312 and 319)	N458	_____	_____	_____	_____
Property and Equipment					
<input type="checkbox"/> Not a key area					
Was a summary schedule by source prepared to show beginning balances, changes during the period and ending balances for:					
Property and equipment?	A456	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accumulated depreciation?	A457	_____	_____	_____	_____
Do the tests appear adequate and were proper conclusions drawn with respect to:					
Additions (e.g., by examining supporting documents and/or physical inspection)?	A458	_____	_____	_____	_____
Retirements, etc. (e.g., including examining miscellaneous income, scrap sales?)	A459	_____	_____	_____	_____
The adequacy of the current and accumulated provisions for depreciation and depletion?	A460	_____	_____	_____	_____
Valuation of assets not previously capitalized? (ACNO, Ch. 7, pars. 7.05-7.14)	N459	_____	_____	_____	_____
Do the working papers indicate that the auditor considered whether property was subject to liens?	A462	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of property and equipment appear adequate? (AU Secs. 312 and 319)	A463	_____	_____	_____	_____
Liabilities					
<input type="checkbox"/> Not a key area					
Were accounts payable tested adequately for existence?	A464	_____	_____	_____	_____
Was an adequate search performed for unrecorded liabilities at the balance-sheet date?	A465	_____	_____	_____	_____
Was consideration given to expenditures that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, or postemployment benefits provided to former or inactive employees prior to retirement), and to whether accrued expenses were reasonably stated? (AC Secs. P16, C44, P32, and P40)	A466	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed, or alternative procedures applied?	A468	_____	_____	_____	_____
Were procedures performed to verify the completeness and reasonableness of transactions recorded in mandatory sinking funds and other types of debt-related funds? (ACNO, Ch. 10)	N460	_____	_____	_____	_____
Was there evidence that the release of funds from these reserves was tested and appropriately recorded in the financial statements?	N461	_____	_____	_____	_____
Were appropriate procedures applied to notes payable regarding imputation of interest (if necessary), carrying amount, fair value (FAS No. 107) and recognition of related interest expense? (AC Secs. I69 and F25.115A-.115K)	A469	_____	_____	_____	_____
Do the working papers indicate that the auditor reviewed compliance with the covenants of the enterprise's debt obligations?	A470	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests of liabilities appear adequate? (AU Secs. 312 and 319)	A471	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Deferred Revenue and Support (ACNO, Ch. 10, par. 10.04)					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that consideration was given as to whether the basis for deferring revenue is reasonable and consistent with the donors' or grantors' restrictions?	N462	_____	_____	_____	_____
Was consideration given to matching requirements, if any?	N463	_____	_____	_____	_____
Do the working papers indicate that consideration was given to the appropriateness of the amounts of restricted gifts, grants, bequests, donations, or other income recognized as current revenue or support?	N464	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of the governing board and other appropriate committees of the board?	A479	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases, and correspondence from donors, grantors, and governmental agencies, and similar documents?	A480	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A481	_____	_____	_____	_____
Inquiries and discussion with management including management's written representations concerning liabilities, litigation, claims, assessments, and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A482	_____	_____	_____	_____
Did the auditor consider evidence of the entity's activities (such as lobbying or substantial unrelated business income activities) which might cause the entity to lose its tax exempt status or be subject to penalties or taxes? (ACNO, Ch. 15, pars. 15.03–15.14)	N465	_____	_____	_____	_____
If the entity is a private foundation, as defined by IRC section 509, did the auditor determine whether the entity complied with IRS regulations concerning required distribution of income, and prohibited activities? (ACNO, Ch. 15, par. 15.16)	N466	_____	_____	_____	_____
Has adequate consideration been given to contingencies in accordance with professional standards? (AC Sec. C59)	N467	_____	_____	_____	_____
Were the audit procedures regarding the financial instruments appropriately designed, executed, and documented in the working papers?	A506	_____	_____	_____	_____
Was appropriate consideration given to issues related to known environmental matters? (SOP 96-1, pars. .104–.119 and .175)	A485	_____	_____	_____	_____
Net Assets (ACNO, Ch. 11)					
<input type="checkbox"/> Not a key area					
Do the working papers indicate that there were adequate inquiries, where applicable, as to proper classification, description and disclosure of components of net assets?	N468	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If an endowment fund was maintained, do the working papers indicate that fund income was distributed to unrestricted and restricted net assets in accordance with donors' stipulations? (ACNO, Ch. 8, par. 8.27)	N469	_____	_____	_____	_____
Revenues, Expenses, and Support					
Did the accountant consider whether:					
Contributions received/made, including promises to give, were recognized as revenue/expenses in the period received/made, at their fair values?	N470	_____	_____	_____	_____
Contributions that increase net assets were categorized between permanently restricted, temporarily restricted and unrestricted?	N471	_____	_____	_____	_____
Donor-imposed restrictions which expire were recognized in the period in which they expired?	N472	_____	_____	_____	_____
Contributions for services were recognized only if they created or enhanced nonfinancial assets or require specialized skills that would have typically been purchased if not provided by donation?	N473	_____	_____	_____	_____
Were appropriate analytical procedures used in substantive tests of revenues, expenses, and support for the period? (AU Sec. 329 and ACNO, Chs. 5 and 12)	A492	_____	_____	_____	_____
Was adequate consideration given to:					
The entity's revenue recognition policy? (AC Sec. A10.105)	A493	_____	_____	_____	_____
Income recognition on transactions where the earnings process was not complete?	A494	_____	_____	_____	_____
Do the working papers indicate that consideration was given to the valuation and classification of revenue derived from service fees, such as subscription and membership income, and sales of publications and other items? (ACNO, Ch. 5, par. 5.14)	N474	_____	_____	_____	_____
Were appropriate procedures performed to determine whether or not revenue from and changes in the fair value of split-interest agreements was properly recorded? (ANCO, Ch. 6)	N475	_____	_____	_____	_____
If the entity is reimbursed by a third party for costs incurred in connection with providing services to others: (ACNO, Ch. 5, par. 5.05)					
Were the pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement?	N476	_____	_____	_____	_____
Were cost reimbursement reports and the underlying support reviewed?	N477	_____	_____	_____	_____
Were appropriate allocations made of indirect costs among the entity's programs?	N478	_____	_____	_____	_____
Do the working papers indicate that the auditor considered actual receipt and propriety of valuation method used, and any restrictions placed on amounts received during the current period from:					
Cash contributions? (ACNO, Ch. 5)	N479	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Donated and contributed services? (ACNO, Ch. 5, pars. 5.40 and 5.41)	N480	_____	_____	_____	_____
Gifts of securities, materials, facilities, and other nonmonetary items? (ACNO, Ch. 5, pars. 5.42–5.44)	N481	_____	_____	_____	_____
Split-interest agreements and interest free loans? (ACNO, Ch. 6, par. 6.38)	N482	_____	_____	_____	_____
If expenses are classified by function, did the auditor adequately test the classifications and allocations? (ACNO, Ch. 13, pars. 13.24–13.49)	N483	_____	_____	_____	_____
Were fundraising costs expensed in the proper period? (ACNO, Ch. 13, pars. 13.33 and 13.40)	N484	_____	_____	_____	_____
If grants were awarded to other organizations, did the auditor review: (ACNO, Ch. 10, par. 10.06)					
The classification of grants?	N485	_____	_____	_____	_____
The effects of the grantees' compliance or noncompliance with performance requirements?	N486	_____	_____	_____	_____
Were tests of payrolls, including account distribution, made, where appropriate?	A490	_____	_____	_____	_____
With regard to pension plans, do the tests made of the expense and liabilities appear adequate?	N487	_____	_____	_____	_____
Based on the assessment of inherent and control risks, do the substantive tests (analytical procedures and test of details) of revenues and expenditures/expense appear adequate? (AU Sec. 319)	A497	_____	_____	_____	_____
Other					
Have leases been reviewed to determine that capital, operating, sales, and direct financing leases have been properly accounted for? (AC Sec. L10)	A498	_____	_____	_____	_____
Were appropriate procedures applied to accompanying information (AU Sec. 551.06 and .08) and "required supplementary information" (AU Sec. 558)?	A499	_____	_____	_____	_____
If the entity is affiliated with or otherwise financially related to other entities, did the auditor consider the need for combined financial statements or disclosure of the relationship? (SOP 94-3 (TPA Sec. 10,610), ACNO, Ch. 2, pars. 2.23–2.25)	N488	_____	_____	_____	_____

V. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A</u> [*]	<u>Yes</u>	<u>No</u>	<u>Ref.</u> ^{**}
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Secs. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A607	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be appropriately familiar with the applicable professional pronouncements (FASB, AICPA, etc.)?	A608	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A609	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A610	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17-.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A611	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

^{*} The N/A column should be used when the item either does not exist or is not material.

^{**} All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist.

<i>Ques.</i>	<i>N/A</i>	<i>Yes</i>	<i>No</i>	<i>Ref.</i>
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A612	_____	_____	_____
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A613	_____	_____	_____
Does it appear that hours charged by the owner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A614	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:				
Planning checklist?	A615	_____	_____	_____
Review of internal control:				
Manual system?	A616	_____	_____	_____
IT system?	A617	_____	_____	_____
Audit work programs?	A618	_____	_____	_____
Financial statement disclosures?	A619	_____	_____	_____
Working paper and financial statement reviews?	A620	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A621	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A622	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A623	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A624	_____	_____	_____
Was there appropriate consultation and documentation:				
In situations specified by firm policy?	A625	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	A626	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	A627	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	A628	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A629	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A630	_____	_____	_____

VI. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner or partner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate but that the matter is not significant enough to warrant the preparation of an MFC form.

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<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
------------------------	----------------------------	-----------------------------	------------------------------------

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments</i>
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<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments</i>
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Note: Attach additional sheets if required.

VII. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards (see AU Sec. 390 and ET Sec. 202) and other applicable standards of *Government Auditing Standards* and OMB Circular A-133? YES* ____ NO ____
 - The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material respects and the auditor's report was not appropriately modified (see AU Sec. 561 and ET Sec. 203)? YES* ____ NO ____
 - The auditor's reports, including all reports required by governmental agencies, were not appropriate in the circumstances? YES* ____ NO ____
 - The documentation on this engagement does not support the firm's opinion on the financial statements? YES* ____ NO ____
 - The firm did not comply with its policies and procedures on this engagement in all material respects? YES* ____ NO ____
-

[The next page is 20,701.]

* If the question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

Section 20,700

Employee Benefit Plan Engagement Checklist

Instructions for Use of the Checklist for Review of Audits of Employee Benefit Plans

This checklist was developed for use by reviewers of audits of employee benefit plans. It should be used in conjunction with other guidance materials issued to implement the AICPA peer review program and the SEC Practice Section. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of employee benefit plans. All "No" answers must be thoroughly explained in Section V of this checklist.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to employee benefit plans. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and audit procedure issues in order to sufficiently evaluate employee benefit plan engagements. These additional materials include the AICPA Financial Reporting Practice Aid, *Checklist for Defined Benefit Pension Plans and Illustrative Financial Statements*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Audits of Employee Benefit Plans*.

Explanation of References:

AC	Reference to section number in FASB <i>Accounting Standards Current Text</i>
AEBP	Audit and Accounting Guide <i>Audits of Employee Benefit Plans</i> (as of May 1, 1997)
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
CFR	Code of Federal Regulations
EBPID	Employee Benefit Plans Industry Developments (1997)
EITF	Emerging Issues Task Force pronouncement
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncements
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SAS	Statement on Auditing Standards
SECPS	SEC Practice Section Reference Manual
SOP	AICPA Statement of Position

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Concurring Reviewer* _____

Office _____
 Date of Financial Statements* _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting on:

- | | |
|---|---|
| 1. <input type="checkbox"/> Defined Benefit Plan | <input type="checkbox"/> Health and Welfare Plans |
| <input type="checkbox"/> Defined Contribution Plan (including profit-sharing and stock bonus plans) | <input type="checkbox"/> Limited Scope Audit |
| <input type="checkbox"/> Plans requiring a Form 11K filing with the SEC*** | <input type="checkbox"/> Other |

Was the work performed at the request of another office? Yes ___ No ___

Date that the fee for the prior year's engagement was paid _____

Key data reported on by this office for this engagement:

Total assets	\$ _____
Net assets	\$ _____
Total income and contributions	\$ _____
Net increase in net assets available for plan benefits	\$ _____

Complex or troublesome audit areas:

List any nonaudit services performed for the client during the period of the financial statements being reported on and through the date of the auditor's report:

Personnel Continuity:	Partner	Manager (or equivalent)
Number of years assigned to this job	_____	_____
Number of years in current position on the job	_____	_____

Audit hours on this engagement:

	Total	Prior to Commencement of Field Work	During Field Work	After Completion of Field Work
Owner/Partner	_____	_____	_____	_____
Manager (or equivalent)	_____	_____	_____	_____
Other	_____	_____	_____	_____
Total this office	=====	Total budgeted	=====	=====

* To determine the applicability of all cross-referenced pronouncements, consider their effective dates.

** Not applicable unless required by firm policy.

*** Firms that file a Form 11K with the SEC should be a member of the SEC Practice Section of the AICPA Division for CPA Firms and pages 20,428 and 20,429 of the *General Audit Engagement Checklist* must be completed.

LIST OF KEY AUDIT AREAS SELECTED BY REVIEWER

A reviewer is not required to look at all the working papers for a particular engagement. The depth of the review is a judgment call; however, the review is directed primarily to the key areas of an engagement, including complex or troublesome areas. Ordinarily all key audit areas should be reviewed. List below the key areas on this engagement and, if any key areas are not reviewed, indicate the reasons for this omission. In completing this checklist, all questions in Sections I, II and IV should be answered in addition to the key areas identified.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Date Engagement
Review Performed _____

Date Checklist Reviewed
by Team Captain _____

Reviewer _____

Signature _____

Checklist for Review of Audits of Employee Benefit Plans

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Note: This checklist has been updated through SAS No. 82, SFAS No. 131, and FASB Interpretation No. 42.

I. REPORT AND FINANCIAL STATEMENTS

Note: This is a highly summarized checklist taken from the AICPA financial reporting practice aid, *Checklists for Defined Benefit Pension Plans and Illustrative Financial Statements*. All "no" answers must be thoroughly explained. If the firm has used its own report and financial statement disclosure checklist on this engagement, it may be reviewed in lieu of completing this checklist provided the reviewer has determined that the firm's checklist is current, comprehensive, and appropriate for the engagement.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Report					
If subject to ERISA and DOL, is the plan required to have an audit? (Note: The audit requirement is applied to each separate plan and <u>not</u> each separate trust.) (AEBP, ch. 1, par. 1.15 and Appendix A)	BP101	_____	_____	_____	_____
If the plan is subject to ERISA and DOL regulations and is required to have an audit, is the auditor independent pursuant to DOL regulations? (29 CFR 2509.75-9)	BP102	_____	_____	_____	_____
Does the auditor's report conform to the Audit and Accounting Guide— <i>Audits of Employee Benefit Plans</i> ? (AEBP, ch. 13 and Appendix A)	BP103	_____	_____	_____	_____
Is the report dated in conformity with the requirements of professional standards? (AU Secs. 508.08 and .28 and 530)	A101	_____	_____	_____	_____
Does the report appropriately include the basic elements required under professional standards and is appropriate language used for modifying the report for circumstances described in such standards? (AU Secs. 508.08-.11 and 623)	A102	_____	_____	_____	_____
Does the report cover all periods for which financial statements are presented? (AU Sec. 508.08)	A103	_____	_____	_____	_____
If the financial statements of a prior period have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU Sec. 508.74)	A104	_____	_____	_____	_____
If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU Secs. 551 and 558)	A105	_____	_____	_____	_____
If the audit was a limited scope audit permitted by DOL rules and regulations with respect to investment information, was this stated and a disclaimer issued? (AEBP, ch. 5, par. 5.02 and ch. 13, pars. 13.25-13.29)	BP104	_____	_____	_____	_____
Does the report identify and include an appropriate opinion on supplemental schedules required by ERISA and DOL regulations? (AEBP, ch. 13, pars. 13.09-13.18)	BP105	_____	_____	_____	_____
Is the report appropriately modified for financial statements presented on a basis other than GAAP that is acceptable under ERISA or DOL regulations? (AEBP, ch. 13, pars. 13.19-13.22)	BP106	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Is the auditor's report on financial statements of defined benefit plans appropriately worded assuming either an End-of-Year Benefit Information Date or Beginning-of-Year Benefit Information Date? (AEBP, ch. 13, pars. 13.04–13.05)	BP107	_____	_____	_____	_____
Financial Statements and Footnotes					
General					
Are the financial statements suitably titled? (AU Sec. 623.07 and .24, AEBP, chs. 2 and 3, pars. 2.06–2.08, 3.09–3.11, and ch. 4, pars. 4.17–4.22)	A112	_____	_____	_____	_____
Is the accounting appropriate and are the disclosures adequate regarding:					
Significant accounting policies? (AC Sec. A10.105–.108)	A113	_____	_____	_____	_____
Accounting changes? (AC Sec. A06)	A114	_____	_____	_____	_____
Comparative financial statements? (AC Sec. F43)	A115	_____	_____	_____	_____
With respect to contingencies and commitments:					
Are loss contingencies accrued and/or disclosed as appropriate? (AC Sec. C59.104–.114)	A128	_____	_____	_____	_____
Are other contingencies and commitments adequately disclosed? (AC Secs. C32.102–.105 and C59.118–.120)	A129	_____	_____	_____	_____
Are the financial statements adjusted, where appropriate, for the effect of subsequent events and do they include disclosure of significant subsequent events, whether or not adjustments were made? (AC Sec. C59.105 and .112 and AU Secs. 560.01–.09 and 561)	A130	_____	_____	_____	_____
Are adjustments of financial statements for prior periods adequate? (AC Sec. A35)	A138	_____	_____	_____	_____
Is the presentation appropriate and disclosure adequate regarding:					
Description of method and significant assumptions used to determine the fair value of investments and the reported value of insurance contracts, including the consideration of SOP 94-4? (AEBP, chs. 2 and 3, pars. 2.09–2.13, 3.12–3.20, and ch. 4, pars. 4.23–4.30 and 4.56, and Appendix I)	BP108	_____	_____	_____	_____
Description of method and significant assumptions used to determine the actuarial present value of accumulated plan benefits including any significant changes in the method of assumptions during the year? (AC Sec. Pe5.126b)	BP109	_____	_____	_____	_____
Description of plan including its vesting and benefit provisions? (AEBP chs. 2 and 3, pars. 2.26a, 3.28a and ch. 4, par. 4.57)	BP110	_____	_____	_____	_____
Description of significant plan amendments adopted during the year? (AEBP, chs. 2 and 3, pars. 2.26b, 3.28b and ch. 4, par. 4.57)	BP111	_____	_____	_____	_____
Description of the benefit priority and Pension Benefit Guarantee Coverage in the event of plan termination? (AEBP, ch. 2, par. 2.26c and ch. 4, par. 4.57)	BP112	_____	_____	_____	_____
Description of funding policy? (AEBP, ch. 2, par. 2.26d and ch. 4, par. 4.57)	BP113	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Federal income tax status of the plan, including IRS tax ruling or determination letter? (AEBP, chs. 2 and 3, pars. 2.26f, 3.28f, and ch. 4, par. 4.57)	BP114	_____	_____	_____	_____
Compliance with the ERISA requirement that reports under its jurisdiction must include disclosure of "information concerning whether or not a tax ruling or determination letter has been obtained," (which is more than is required by FASB Statement No. 35 as amended)? (AEBP, chs. 2 and 3, pars. 2.26f and 3.28f)	BP115	_____	_____	_____	_____
Identification of investments that represent 5 percent or more of total net assets for defined benefit plans, 5 percent or more of the net assets available for benefits for defined contribution plans and 5 percent or more of total plan assets for health and welfare plans. (AEBP, chs. 2 and 3, pars. 2.26g, 3.28g, and ch. 4, par. 4.57)	BP116	_____	_____	_____	_____
Reporting significant real estate, or other transactions between related parties, or was the audit opinion appropriately modified? (AEBP, chs. 2 and 3, pars. 2.26h, 3.28h, ch. 4, par. 4.57 and ch. 11)	BP117	_____	_____	_____	_____
Prohibited transactions? (AEBP, ch. 11, par. 11.12)	BP118	_____	_____	_____	_____
Significant, unusual, or infrequent events of transactions occurring after the financial statement date but before issuance of the financial statements? (AEBP, chs. 2 and 3, pars. 2.26i, 3.28n, and ch. 4, par. 4.57)	BP119	_____	_____	_____	_____
The amount and disposition of forfeited nonvested accounts. Specifically, identification of those amounts that will be used to reduce future employer contributions? (AEBP, ch. 3, par. 3.28o and ch. 4, par. 4.57)	BP120	_____	_____	_____	_____
Investment contracts as required by SOP 94-4? (AEBP, ch. 3, par. 3.28p-r and ch. 4, par. 4.57)	BP121	_____	_____	_____	_____
For risks and uncertainties, disclosures regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (AEBP, chs. 2, 3, and 4, pars. 2.36-2.39, 3.38-3.41, 4.66-4.69 and SOP 94-6)	BP122	_____	_____	_____	_____
For master trusts, a description of the basis used to allocate net assets, net investment income, gains and losses to participating plans, and the plan's percentage interest in the master trust as of the date of each statement of net assets available for benefits presented? (AEBP, ch. 2, par. 2.31 and ch. 3, par. 3.33)	BP123	_____	_____	_____	_____
Material lease commitments, other commitments, or contingent liabilities? (AEBP, ch. 4, par. 4.57)	BP124	_____	_____	_____	_____
The assumed health care cost-trend rate(s) used to measure the expected cost of benefits covered by the plan for the next year, a general description of the direction and pattern of change in the assumed trend rates thereafter, the ultimate trend rate(s), and when that rate is expected to be achieved. (AEBP, ch. 4, par. 4.57)	BP125	_____	_____	_____	_____
For health and welfare benefit plans providing postretirement health care benefits, the effect of a one-percentage-point increase in the assumed health care cost-trend rates for each future year on the postretirement benefit obligation. (AEBP, ch. 4, par. 4.57)	BP126	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Any modification of the existing cost-sharing provisions that are encompassed by the substantive plan(s) and the existence and nature of any commitment to increase monetary benefits provided by the plan and their effect on the plan's financial statements. (AEBP, ch. 4, par. 4.57)	BP127	_____	_____	_____	_____
Termination provisions of the plan and priorities for distribution of assets, if applicable. (AEBP, ch. 4, par. 4.57)	BP128	_____	_____	_____	_____
Restrictions, if any, on plan assets (for example, legal restrictions on multiple trusts). (AEBP, ch. 4, par. 4.57)	BP129	_____	_____	_____	_____
If the plan is subject to ERISA reporting requirements are the following schedules attached, if applicable: assets held for investment transactions with parties-in-interest, loans or fixed income obligations due in default or uncollectible, leases in default or uncollectible, and reportable transactions? (AEBP, chs. 2 and 3, pars. 2.04, 3.06, Appendix A, par. A.51)	BP130	_____	_____	_____	_____
Have the proper disclosures been made, and the liquidation basis of accounting used for plan terminations? (AEBP, chs. 2, 3, and 4, pars. 2.40-44, 3.44-47 and ch. 4, pars. 4.70-73)	BP131	_____	_____	_____	_____
Is there a description of the policy regarding the purchase of insurance contracts that are excluded from plan benefits? (AEBP, ch. 2, par. 2.26e, and ch. 4, par. 4.57)	BP132	_____	_____	_____	_____
Is there a disclosure of amounts allocated to persons who have withdrawn from participation in the earnings and operations of the plan? Are such amounts excluded from liabilities on the financial statements? (AEBP, ch. 3, par. 3.28m)	BP133	_____	_____	_____	_____
Are the amounts of unallocated assets disclosed as well as the basis used to allocate asset values to participants accounts when the basis differs from the one used to record assets in the financial statements? (AEBP, ch. 3, par. 3.28c)	BP134	_____	_____	_____	_____
Is the basis for determining contributions by employers and the method of determining participant contributions disclosed? (AEBP, chs. 2 and 3, pars. 2.26d, 3.28d and ch. 4, par. 4.57)	BP135	_____	_____	_____	_____
Are investments pledged to secure debt disclosed? (AEBP, ch. 3, par. 3.28i)	BP136	_____	_____	_____	_____
Are guarantees by others of debt of the plan disclosed? (AEBP, ch. 3, par. 3.28j)	BP137	_____	_____	_____	_____
If the plan provides for participant-directed investment programs, are the investment programs disclosed on a separate fund basis? (AEBP, ch. 3, par. 3.28k and Appendix J)	BP138	_____	_____	_____	_____
For plans that assign units to participants, is the proper unit information disclosed? (AEBP, ch. 3, par. 3.28l)	BP139	_____	_____	_____	_____
Are changes in the actuarial present value of accumulated plan benefits including amendments, changes in actuarial assumptions, and nature of the plan (mergers, spinoffs, etc.), disclosed? (AEBP, ch. 2, par. 2.24)	BP140	_____	_____	_____	_____
Is a prior-year statement of net assets and changes presented if beginning-of-year benefit information is used? (AC Sec. Pe5.106)	BP141	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Is the actuarial present value of accumulated plan benefits, including vested benefits of participants currently receiving payments, other vested benefits, and non-vested benefits presented? (AEBP, ch. 2, pars. 2.20–2.23)	BP142	_____	_____	_____	_____
If subject to ERISA and DOL, is there a reconciliation between financial statements and form 5500 amounts, if applicable? (AEBP Appendix A, par. A.50a)	BP143	_____	_____	_____	_____
Are significant employer absorbed costs of plan administration disclosed? (AEBP, ch. 3, par. 3.28d, ch. 4, par. 4.57, AC Sec. Pe5.127(d))	BP144	_____	_____	_____	_____
Statement of Net Assets Available for Benefits					
Is the presentation appropriate and is the disclosure adequate regarding:					
Investments including those in master trust (identified by type and presented at fair value)? (AEBP, chs. 2 and 3, pars. 2.09–2.13 and 2.31, 3.12–3.20, 3.33 and 3.35, and ch. 4, pars. 4.23–4.30)	BP145	_____	_____	_____	_____
If Statement of Position (SOP) 94-4 was applicable to this engagement (either as a result of the SOP's effective date or early application of the SOP): Investment contracts with fully benefit-responsive features or contracts that incorporate mortality or morbidity risks are reported at contract value (where the entire contractual amount is recoverable) and other investment contracts at fair value? (AEBP, Appendix I)	BP146	_____	_____	_____	_____
Investment contracts as required by SOP 94-4? (AEBP, ch. 4, pars. 4.24–.30 and .57)	BP147	_____	_____	_____	_____
Risks and uncertainties as required by SOP 94-6? (AEBP, ch. 4 pars. 4.66–.69)	BP148	_____	_____	_____	_____
Exemption from certain required disclosures about financial instruments for certain non-public entities? (AEBP, chs. 2 and 3, pars. 2.32, 2.33, 3.34, and 3.35, and ch. 4, pars. 4.62 and 4.63)	BP149	_____	_____	_____	_____
Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk? (AEBP, chs. 2 and 3, pars. 2.27–2.30, 3.29–3.32 and ch. 4, pars. 4.58–4.61)	BP150	_____	_____	_____	_____
Information about derivative financial instruments—futures, forwards, swap and option contracts, and other financial instruments with similar characteristics? (AEBP, chs. 2 and 3, pars. 2.34, 2.35, 3.36, and 3.37, and ch. 4, pars. 4.64 and 4.65)	BP151	_____	_____	_____	_____
Are unallocated insurance contracts reported on in accordance with ERISA and DOL? (AEBP, ch. 2, par. 2.12)	BP152	_____	_____	_____	_____
Contributions receivable? (AEBP, ch. 2, pars. 2.14, 2.15, 3.21, and ch. 4, par. 4.31)	BP153	_____	_____	_____	_____
Amounts receivable from brokers for securities sold?	BP154	_____	_____	_____	_____
Accrued interest and dividends?	BP155	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Allowance for estimated uncollectible amounts? (AEBP, chs. 2 and 3, pars. 2.14–2.15, 3.21 and ch. 4, par. 4.31)	BP156	_____	_____	_____	_____
Assets used in plan operations (e.g., buildings, equipment, furniture and fixtures and leasehold improvements) identified by type and presented at cost, less accumulated depreciation or amortization? (AEBP, ch. 3, par. 3.22, ch. 4, par. 4.35)	BP157	_____	_____	_____	_____
Property and equipment including accounting for the impairment of long-lived assets to be held and used for long-lived assets to be disposed of, assets of discontinued operations, investment credit, and capitalized interest? (AEBP, ch.3, par. 3.23, ch.4, par. 4.36, and AC Secs. D40.105, I08.122–.138, I13.108, I67, and I27)	BP158	_____	_____	_____	_____
For health and welfare plans if significant: accrued experience—rating adjustments, insurance premiums payable, deposits with insurance companies and accumulated eligibility credits? (AEBP, ch. 4, pars. 4.40, 4.41, and 4.44–4.47)	BP159	_____	_____	_____	_____
Information regarding the plan's benefit obligation as of the end of the plan year and certain factors affecting the year-to-year change in the plan's benefit obligations (AEBP, ch. 4, pars. 4.17–4.19 and 4.40–4.55)	BP160	_____	_____	_____	_____
If the plan adopted SOP 92-6 for a period covered by this year's audit:					
Was it adopted in its entirety? (EPBID, p. 21)	BP161	_____	_____	_____	_____
Were accounting changes adopted to conform to the provisions of the SOP made retroactively? (EPBID, p. 22)	BP162	_____	_____	_____	_____
When there has been a change in accounting principles that has had a material effect on the comparability of the plan's financial statements, does the report refer to the change in an explanatory paragraph? (AU Sec. 508)	BP163	_____	_____	_____	_____
For an ERISA audit in the year of adoption, was the prior year's statement of net assets restated to comply with the revisions of the SOP? (EBPID, p. 22)	BP164	_____	_____	_____	_____
For insured health and welfare plans, are claims payable and currently due and claims incurred by eligible participants but not yet reported (IBNR) excluded from benefit obligations of the plan? (AEBP, ch. 4, par. 4.42)	BP165	_____	_____	_____	_____
For self-funded health and welfare plans, do the benefit obligations present the amount of claims payable and currently due for active and retired participants, dependents, and beneficiaries for active participants in the plan and IBNR for active participants and does the postretirement benefit obligation include IBNR for retired participants? (AEBP, ch. 4, par. 4.42)	BP166	_____	_____	_____	_____
For self-funded health and welfare plans, is the cost of IBNR measured at the present value, as applicable, of the estimated ultimate cost to the plan settling the claims? (AEBP, ch. 4, par. 4.43)	BP167	_____	_____	_____	_____
Notes payable and other debt:					
Maturities, rates, and sinking fund requirements for the next five years? (AC Sec. C32.105)	A157	_____	_____	_____	_____
Other terms and covenants? (AC Sec. C59.120 and SOP 97-1, par. 17)	A158	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Other liabilities, including amounts due to brokers for securities purchased, other accounts payable, and accrued expenses?	BP168	_____	_____	_____	_____
If subject to ERISA and DOL regulations, are comparative statements of net assets available for benefits presented? (AEBP, chs. 2 and 3, pars. 2.07a, 3.10 and ch. 4, par. 4.21 and Appendix A, par. A.50a)	BP169	_____	_____	_____	_____
Statement of Changes in Net Assets					
Are the presentations appropriate and disclosures adequate regarding:					
Net change in fair value for each significant class of investments? (AEBP, chs. 2 and 3, pars. 2.19a and 2.31, 3.25a and 3.33, and ch. 4, par. 4.38)	BP170	_____	_____	_____	_____
Contributions from employer(s), employees, and other identified sources separately stated? (AEBP, chs. 2 and 3, pars. 2.19c, d, e, 3.25c, d, e and ch. 4, par. 4.38)	BP171	_____	_____	_____	_____
Payments to insurance companies to purchase contracts? (AEBP, chs. 2 and 3, pars. 2.19g, 3.25g, and ch. 4, par. 4.38)	BP172	_____	_____	_____	_____
Investment income? (AEBP, chs. 2 and 3, pars. 2.19b, 3.25b and ch. 4, par. 4.38)	BP173	_____	_____	_____	_____
Benefits paid to participants? (AEBP, chs. 2 and 3, pars. 2.19f, 3.25f and ch. 4, par. 4.38)	BP174	_____	_____	_____	_____
Administrative expense? (AEBP, chs. 2 and 3, pars. 2.19h, 3.25h and ch. 4, par. 4.38)	BP175	_____	_____	_____	_____

II. GENERAL AUDIT PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
In planning the audit engagement, did the auditor properly consider:					
Matters affecting the plan, such as accounting practices, contractual obligations, economic conditions, and laws and government regulations? (AU Secs. 311.03-.04 and 801.11)	BP201	_____	_____	_____	_____
Preliminary judgment about materiality levels? (AU Secs. 311.03 and 312.08)	A302	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), did the auditor:					
Make an assessment of the risk of material misstatements of the financial statements, including the risk that errors, irregularities and illegal acts may cause the financial statements to be materially misstated? (AU Secs. 312.12, 316A.05, and 317.05)	A303	_____	_____	_____	_____
Assess the risk of management misrepresentation by reviewing information obtained about risk factors and internal control? (AU Sec. 316A.12)	A304	_____	_____	_____	_____
Design the audit to provide reasonable assurance of detecting errors and irregularities and direct-effect of illegal acts that could be material to the financial statements? (AU Sec. 316A.05 and 317.05)	A305	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997):					
Did the auditor: (a) assess the risk of material misstatement due to fraud, (b) consider the presence of fraud risk factors in the categories stated in paragraphs 16 and 18 of SAS No. 82, (c) inquire of management about its understanding of the risk of fraud in the entity, and (d) document evidence of the performance of the fraud assessment, including the fraud risk factors identified as present?	A306	_____	_____	_____	_____
For identified fraud risk factors, did the auditor develop an appropriate audit response and document the response?	A307	_____	_____	_____	_____
Did the auditor use analytical procedures in planning the nature, timing and extent of audit procedures? (AU Sec. 329.01 and .06)	A308	_____	_____	_____	_____
If the auditor succeeded another auditor, did the auditor:					
Communicate with the predecessor auditor to ascertain whether there were disagreements between the predecessor auditor and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client? (AU Sec. 315.03 and .06)	A309	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Review the predecessor auditor's working papers, or obtain satisfaction by other means? (AU Sec. 315.08)	A310	_____	_____	_____	_____
If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with professional standards? (AU Sec. 322)	A311	_____	_____	_____	_____
Did the auditor:					
Obtain a sufficient understanding of the entity's internal control, including electronic evidential matter which may only exist for a specified period of time, to plan the audit? (AU Secs. 319.19, 324.07-10, and 326.18)	A312	_____	_____	_____	_____
Document the understanding of the internal control? (AU Sec. 319.44)	A313	_____	_____	_____	_____
Document the conclusion that control risks are at the maximum level for those financial statement assertions where control risk is assessed at the maximum level? (AU Sec. 319.57)	A314	_____	_____	_____	_____
Document the basis for the conclusion (i.e., tests of controls) that the effectiveness of the design and operation of controls support the assessed level of control risk when that assessed level is below the maximum level? (AU Sec. 319.57)	A315	_____	_____	_____	_____
If the methods used by the client to process significant accounting information includes the use of a service organization, was consideration given to the controls at the service organization that may affect the processing of the client's transactions and internal control? (AU Sec. 324.07-10)	A317	_____	_____	_____	_____
If the auditor decided to assess control risk below the maximum for financial statement assertions affected by the processing performed by the service organization, was a service auditor's report that describes the results of the service auditor's tests of operating effectiveness obtained; or were tests performed by the auditor at the service organization? (AU Sec. 324.14-16)	A318	_____	_____	_____	_____
If the engagement included the use of the work (domestic or international) of another office, correspondent or affiliate:					
Do the instructions to the other office or firm appear adequate? (AU Sec. 311)	A319	_____	_____	_____	_____
Does it appear that the control exercised over the work of others through supervision and review was adequate? (AU Sec. 311)	A320	_____	_____	_____	_____
Was there appropriate follow-up of open matters? (AU Sec. 311)	A321	_____	_____	_____	_____
In those cases where another firm is used, were appropriate inquiries made as to its independence and professional reputation? (AU Sec. 543.10)	A322	_____	_____	_____	_____
Was an appropriately tailored, written audit program prepared? (AU Sec. 311.05 and applicable AICPA industry audit guide)	A325	_____	_____	_____	_____
Was the audit program responsive to the needs of the engagement, and the understanding of the internal control, including electronic					

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
evidential matter which may only exist for a specified period of time, obtained during the planning process? (AU Sec. 319.02 and .05)	A326	_____	_____	_____	_____
Was consideration given to applicable assertions in developing audit objectives and in designing substantive tests? (AU Sec. 326.09-.14)	A327	_____	_____	_____	_____
If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU Secs. 311.05 and 316.33-.37)	A328	_____	_____	_____	_____
Have all procedures called for in the audit program been signed when completed? (AU Sec. 339)	A329	_____	_____	_____	_____
If statistical or nonstatistical sampling was used in test of controls (AU Secs. 319 and 350):					
In your evaluation of the adequacy of the sample size, does it appear the firm gave appropriate consideration to the specific objective of the test of controls, tolerable rate, allowable risk of overreliance, and characteristics of the population? (AU Sec. 350.31)	A330	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.39)	A331	_____	_____	_____	_____
If the auditor concluded that the sample results did not support the planned assessed level of control risk for an assertion, were the nature, timing and extent of the planned substantive procedures reevaluated based on a revised consideration of assessed level of control risk for the relevant financial statement assertions? (AU Sec. 350.40-.43)	A332	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned test of controls or appropriate alternative procedure could not be performed, for example, because the documentation was missing? (AU Sec. 350.40)	A333	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A334	_____	_____	_____	_____
If statistical or nonstatistical sampling was used for substantive tests of details (AU Sec. 350):					
In your evaluation of the adequacy of the sample size, does it appear the firm gave appropriate consideration to the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population? (AU Sec. 350.16)	A335	_____	_____	_____	_____
Was the sample selected in such a way that it could be expected to be representative of the population? (AU Sec. 350.24)	A336	_____	_____	_____	_____
Were the misstatements in the sample projected to the items from which the sample was selected? (AU Sec. 350.26)	A337	_____	_____	_____	_____
In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedures could not be performed? (AU Sec. 350.25)	A338	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications? (AU Sec. 350.30)	A339	_____	_____	_____	_____
Was the documentation of the foregoing considerations in accordance with firm policy?	A340	_____	_____	_____	_____
During the performance of the engagement, did the auditor:					
Consider the guidelines in professional standards in developing, performing, and evaluating the results of analytical procedures used as substantive tests? (AU Sec. 329)	A341	_____	_____	_____	_____
Use analytical procedures in the overall review stage of the audit? (AU Sec. 329.01)	A342	_____	_____	_____	_____
Has the auditor evaluated the reasonableness of significant accounting estimates made by management? (AU Secs. 326 and 342)	A343	_____	_____	_____	_____
Did the auditor obtain written timely and appropriate representations from management and was the representation letter properly dated? (AU Sec. 333)	A345	_____	_____	_____	_____
Did the auditor obtain timely and appropriate responses from the entities' attorneys concerning litigation, claims, and assessments? (AU Sec. 337.08-.14)	A346	_____	_____	_____	_____
Have all questions, exceptions, or notes been followed up and resolved?	A347	_____	_____	_____	_____
Was appropriate consideration given to all passed adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU Sec. 312.27 and .30)	A348	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), did the auditor:					
Follow up on errors and irregularities in accordance with professional standards? (AU Sec. 316A.22-.29)	A349	_____	_____	_____	_____
Consider the implications of an irregularity in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 316A.25)	A350	_____	_____	_____	_____
Obtain assurance that the audit committee or others with equivalent authority and responsibility had been adequately informed of all but the clearly inconsequential irregularities identified during the engagement? (AU Sec. 316A.28)	A351	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997):					
If audit tests identify misstatements in the financial statements, did the auditor consider whether such misstatements may be indica-					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
tive of fraud and evaluate the implications involved as described in paragraphs 34–36 of SAS No. 82?	A352	_____	_____	_____	_____
Did the auditor consider whether the accumulated results of audit procedures and other observations affect the assessment of the risk of material misstatement due to fraud made when planning the audit; and if so, and if the auditor believed an additional response was required, were any additional risk factors or other conditions that were identified and any further response that the auditor concluded was appropriate documented?	A353	_____	_____	_____	_____
If the auditor has determined that there is evidence that fraud may exist (even if the matter might be considered inconsequential), was the matter brought to the attention of an appropriate level of management; and was the matter reported directly to the audit committee (or others with equivalent authority and responsibility), if the fraud involves senior management or the fraud causes a material misstatement of the financial statements?	A354	_____	_____	_____	_____
When the auditor, as a result of the assessment of the risk of material misstatement due to fraud, has identified risk factors that have continuing control implications (whether or not transactions or adjustments that could be the result of fraud have been detected), did the auditor consider whether these risk factors represent reportable conditions relating to the entity's internal control that should be communicated to senior management and the audit committee (or others with equivalent authority and responsibility)?	A355	_____	_____	_____	_____
If SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> , was not effective for the engagement (effective for audits of financial statements for period ending on or after December 15, 1997), and the auditor's procedures disclosed instances or indications of illegal acts, did the auditor:					
Follow up on the illegal acts in accordance with professional standards? (AU Sec. 317.10–.11)	A356	_____	_____	_____	_____
Consider the implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations? (AU Sec. 317.16)	A357	_____	_____	_____	_____
Communicate directly with the audit committee if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention were adequately communicated? (AU Sec. 317.17)	A358	_____	_____	_____	_____
Did the auditor consider if there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU Sec. 341.02)	A361	_____	_____	_____	_____
If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor obtain information about management's plans and evaluate the likelihood that such plans could be effectively implemented? (AU Sec. 341.03(b))	A362	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the auditor's substantial doubt was alleviated, did the auditor consider the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with mitigating factors? (AU Sec. 341.11)	A363	_____	_____	_____	_____
If the auditor's substantial doubt was not alleviated, did the auditor's report include an explanatory paragraph that adequately communicated the auditor's substantial doubt (e.g., include the terms "substantial doubt" and "going concern")? (AU Sec. 341.12-.13)	A364	_____	_____	_____	_____
During the performance of the audit:					
If there were reportable conditions identified were they communicated to the audit committee, management and others within the organization on a timely basis and if the communication was oral was it documented in the working papers? (AU Sec. 325.09)	A365	_____	_____	_____	_____
Does the auditor's conclusions regarding whether internal control matters noted during the audit were (or were not) reportable conditions appear appropriate? (AU Sec. 325)	A366	_____	_____	_____	_____
If the report was issued on reportable conditions, did it indicate the purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure, and did it include the definition of reportable conditions and include the restriction on distribution? (AU Sec. 325.11)	A367	_____	_____	_____	_____
Has the auditor complied with the requirement not to issue a letter stating that there were no reportable conditions? (AU Sec. 325.17)	A368	_____	_____	_____	_____
Did the auditor perform appropriate procedures regarding events subsequent to the balance-sheet date but prior to the date of the report? (AU Sec. 560)	A370	_____	_____	_____	_____
If the auditor, subsequent to the date of the report, became aware of facts that may have existed at that date which might have affected the report, had the auditor then been aware of such facts, did the auditor consider the guidance in professional standards in determining an appropriate course of action, including performing audit procedures to determine if there are any such events affecting the financial statements, and does the matter appear to be properly resolved? (AU Sec. 561)	A371	_____	_____	_____	_____
If there is an indication that the auditor, subsequent to the date of the report, concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the then existing circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU Sec. 390)	A372	_____	_____	_____	_____
Where there is an audit committee or some other formal oversight committee or the client is an SEC engagement, did the auditor:					
Ensure that the appropriate matters were communicated to those with responsibility for oversight of the financial reporting process? (AU Sec. 380.01-.02)	A373	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the communication was in writing, prepare a written report that included a statement that the communication was intended solely for the use of the audit committee or other appropriate parties? (AU Sec. 380.03)	A374	_____	_____	_____	_____
If the communication was oral, document the information communicated by appropriate memorandum or notations in the working papers? (AU Sec. 380.03)	A375	_____	_____	_____	_____

III. WORKING PAPER AREAS—EMPLOYEE BENEFIT PLANS¹

Note: In the key audit areas reviewed, the reviewer should evaluate whether the reviewed firm has obtained sufficient competent evidential matter to form conclusions regarding the validity of the assertions of material significance embodied in the financial statements as described in AU Sec. 326. The questions contained in each section represent some of the audit procedures or tests that the reviewed firm might have undertaken to form conclusions in support of financial statement assertions of material significance. If an audit area is not reviewed because it does not represent a *key* area for that engagement, the reviewer should place an "X" in the box above the name of the working paper area. [As indicated on page 20,703, the reviewer should indicate the reason(s) for not reviewing a key audit area; in such circumstances, the reviewer should not place an "X" above the area.]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/> Not a key area					
Cash					
Were reconciling items cleared by reference to subsequent statements obtained either directly from the bank or from the client and appropriately tested?	A401	_____	_____	_____	_____
Was due consideration given to cash transactions shortly before and shortly after the balance-sheet date to determine that transactions were recorded in the proper period?	A402	_____	_____	_____	_____
Do the working papers indicate that the following were considered:					
Confirmation of cash balances?	A403	_____	_____	_____	_____
Confirmation of liabilities and contingent liabilities to banks?	A406	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of cash appear adequate? (AU Sec. 319)	A407	_____	_____	_____	_____
Investments					
For trustee assets, did the audit procedures provide a reasonable basis for conclusions regarding:					
Analysis of changes in investments during the period? (AEBP, ch. 7, par. 7.12b)	BP302	_____	_____	_____	_____
Evidence regarding the existence and ownership of investments, such as direct confirmation (including securities in transit), and review for liens or other security interest? (AEBP, ch. 7, par. 7.12c, d, f)	BP303	_____	_____	_____	_____
Investment transactions, including accrued income? (AEBP, ch. 7, par. 7.12e, g)	BP304	_____	_____	_____	_____
Fair value of investments, including the net change in appreciation or depreciation? (AEBP, ch. 7, par. 7.12h, i)	BP305	_____	_____	_____	_____
Situations where the plan's investments might violate applicable laws or regulations? (AEBP, ch. 7, par. 7.12j)	BP306	_____	_____	_____	_____

¹ Complete only the sections for the key areas selected for review.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Assets in a discretionary trust, an understanding of the related internal control structure sufficient to support transactions executed by the trust? (AEBP, ch. 7, pars. 7.13–7.15)	BP307	_____	_____	_____	_____
For investments in a common or commingled trust, did the audit procedures consider or include:					
Confirming units of participation held by the plan? (AEBP, ch. 7, par. 7.18a)	BP308	_____	_____	_____	_____
Supporting documentation for unit value information? (AEBP, ch. 7, par. 7.18b, c)	BP309	_____	_____	_____	_____
For investment arrangements with insurance companies in insurance contracts did the audit procedures consider or include:					
Contracts between the contract holder and the insurance company? (AEBP, ch. 7, par. 7.43a)	BP310	_____	_____	_____	_____
Evidence regarding the existence and ownership of the contract, contributions, premium payments, income credits, etc., such as by direct confirmation and other means? (AEBP, ch. 7, par. 7.43b)	BP311	_____	_____	_____	_____
Unusual circumstances which may affect the market value of the contract? (AEBP, ch. 7, par. 7.43c)	BP312	_____	_____	_____	_____
Tests of the individual securities or other investments that comprise the assets underlying synthetic Guaranteed Investment Contracts? (AEBP, ch. 7, par. 7.43d and EBPID, pages 16–17)	BP313	_____	_____	_____	_____
Deposit Administration Contracts, interest credited in relation to minimum guaranteed interest? (AEBP, ch. 7, par. 7.44a)	BP314	_____	_____	_____	_____
Rate of return for Immediate Participation Guarantee Contracts? (AEBP, ch. 7, par. 7.44b)	BP315	_____	_____	_____	_____
Rates in annuity purchases consistent with contract stipulations? (AEBP, ch. 7, par. 7.44c)	BP316	_____	_____	_____	_____
Reading the financial statements of the insurance company? (AEBP, ch. 7, par. 7.44d)	BP317	_____	_____	_____	_____
Expenses charged to the contract in accordance with stipulations? (AEBP, ch. 7, par. 7.44e)	BP318	_____	_____	_____	_____
Investments made in separate, or pooled separate accounts? (AEBP, ch. 7, par. 7.45a, b)	BP319	_____	_____	_____	_____
Did the audit procedures applied to the other types of investments consider investments in real estate, loans, and mortgages? (AEBP, ch. 7, pars. 7.47–7.50)	BP320	_____	_____	_____	_____
For limited-scope audits, did the audit procedures consider:					
Certified investment information? (AEBP, ch. 7, pars. 7.51 and 7.52)	BP321	_____	_____	_____	_____
Were the audit procedures performed in all areas except investments? (AEBP, ch. 7, pars. 7.51 and 7.52)	BP322	_____	_____	_____	_____
Was the investment information certified as to completeness and accuracy, prepared by a bank, similar institution, or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency? (AEBP, ch. 13, pars. 13.25–13.29)	BP323	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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☐ Not a key area

Contributions Received and Related Receivables

For contributions received and related receivables, did the audit procedures used provide a reasonable basis for conclusions regarding:

Employers' and Employees' contributions? (AEBP, ch. 8, par. 8.03a-h)	BP324	_____	_____	_____	_____
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Actuary reports for defined benefit plans? (AEBP, ch. 8, par. 8.05a-c)	BP325	_____	_____	_____	_____
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Contribution provisions of the plan instrument for defined contribution plans? (AEBP, ch. 8, par. 8.06a-d)	BP326	_____	_____	_____	_____
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Did the audit procedures consider whether the companies' contributions to the plan were sufficient to meet the minimum funding standards set forth in ERISA? (AEBP, Appendix A, pars. A.10-A.13)	BP327	_____	_____	_____	_____
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Based on the assessment of control risk, do the substantive tests of contributions appear adequate? (AU Sec. 319)	BP328	_____	_____	_____	_____
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☐ Not a key area

Receivables

Were amounts receivable from brokers for securities sold confirmed and appropriate follow-up steps taken, including second requests and alternate procedures? (AU Sec. 330.24-.30 and .34)	BP329	_____	_____	_____	_____
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If a significant number and amount of receivables were not confirmed, is there evidence that alternative auditing procedures were performed? (AU Sec. 330.31 and .32)	BP330	_____	_____	_____	_____
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Were the results of confirmation and alternative procedures summarized and were appropriate conclusions included in the working papers? (AU Sec. 330.33)	A412	_____	_____	_____	_____
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Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility of receivables adequately considered? (AU Sec. 312.29)	A415	_____	_____	_____	_____
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Was receivable work coordinated with the tests of revenue, including cut-off tests?	A417	_____	_____	_____	_____
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If accounts receivable confirmations were not requested, has the auditor documented how the presumption for such requests was overcome and were the reasons appropriate? (AU Sec. 330.34 and .35)	A419	_____	_____	_____	_____
---	------	-------	-------	-------	-------

Based on the assessment of control risk, do the substantive tests of receivables appear adequate? (AU Sec. 319)	A421	_____	_____	_____	_____
---	------	-------	-------	-------	-------

☐ Not a key area

Property and Equipment Used in Plan Operations

Was a summary schedule prepared to show beginning balances, changes during the period and ending balances for:

Property and equipment used in plan operations?	A456	_____	_____	_____	_____
---	------	-------	-------	-------	-------

\$20,700

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Accumulated depreciation?	A457	_____	_____	_____	_____
Do tests appear adequate and were proper conclusions drawn with respect to:					
Additions (e.g., by examining supporting documents and/or physical inspection)?	A458	_____	_____	_____	_____
Retirements, etc.?	A459	_____	_____	_____	_____
The adequacy of the current and accumulated provisions for depreciation?	A460	_____	_____	_____	_____
Consideration of asset impairment including the status of idle facilities? (AC Sec. I08.122-.130)	A461	_____	_____	_____	_____
Do the working papers indicate that the auditor considered the possibility that property was subject to liens?	A462	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of property and equipment appear adequate? (AU Sec. 319)	A463	_____	_____	_____	_____
<input type="checkbox"/> Not a key area					
Liabilities					
Were other liabilities (including payables for securities purchased) tested adequately for existence?	A464	_____	_____	_____	_____
Was an adequate search performed for unrecorded liabilities at the balance sheet date?	A465	_____	_____	_____	_____
Was consideration given to expenditures and expenses that might require accrual (e.g., third-party administrator fees), and to whether accrued expenses were reasonably stated? (AC Secs. P16, C44 and P40)	A467	_____	_____	_____	_____
Were significant notes and bonds payable, together with interest rates and repayment periods, etc., confirmed or, alternative procedures performed?	A468	_____	_____	_____	_____
Were procedures performed to determine whether the carrying value of notes payable reflects the present value of the consideration received at the appropriate interest rate?	A469	_____	_____	_____	_____
Do the working papers indicate that the auditor reviewed compliance with the covenants of the entity's debt obligations?	A470	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of liabilities appear adequate? (AU Sec. 319)	A471	_____	_____	_____	_____
Benefit Payments and Claims Payable					
For selected participants receiving benefit payments, did the audit procedures consider or include:					
The propriety, required approvals, eligibility, cash disbursements, (including long outstanding benefit checks)? (AEBP, ch. 9, par. 9.03a-c)	BP331	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Payments made by third parties? (AEBP, ch. 9, par. 9.04)	BP332	_____	_____	_____	_____
For defined contribution plans, did the audit procedures include or consider a comparison of disbursements to participants' records? (AEBP, ch. 9, par. 9.03d)	BP333	_____	_____	_____	_____
For health and welfare plans, did the audit procedures include accrued benefits payable? (AEBP, ch. 9, par. 9.03f, g)	BP334	_____	_____	_____	_____
Commitments and Contingencies					
Do the working papers contain evidence of the following:					
Inspection of minutes of meetings of relevant committees or boards?	A479	_____	_____	_____	_____
Inspection of contracts, loan agreements, leases, and correspondence from taxing and other governmental agencies, and similar documents?	A480	_____	_____	_____	_____
Accumulation and analysis of confirmation responses from banks and lawyers?	A481	_____	_____	_____	_____
Inquiries and discussions with management including management's written representations concerning liabilities, litigation, claims, assessments and regulatory requirements as applicable? (AU Secs. 333 and 337.05)	A482	_____	_____	_____	_____
Other contingent liabilities or possible guarantees?	A483	_____	_____	_____	_____
Have all material contingencies been properly considered, documented, and reported? (AC Sec. C59)	A484	_____	_____	_____	_____
Were the audit procedures regarding financial instruments appropriately designed, executed, and documented in the working papers, and were the disclosures in the financial statements adequate?	A506	_____	_____	_____	_____
Participant Data					
In full-scope and limited-scope audits under DOL regulations, has the auditor ascertained that participant data was appropriately audited? (AEBP, ch. 10, pars. 10.01–10.13)	BP335	_____	_____	_____	_____
For participant data, did the audit procedures consider or include:					
Demographic data, payroll data, and benefits data? (AEBP, ch. 10, pars. 10.04 and 10.05)	BP336	_____	_____	_____	_____
For multi-employer plans, were employer contribution reports compared to participant data? (AEBP, ch. 10, par. 10.05)	BP337	_____	_____	_____	_____
For multi-employer plans, if participant data cannot be reviewed, were other procedures performed? (AEBP, ch. 10, par. 10.06)	BP338	_____	_____	_____	_____
For defined benefit plans, did the audit procedures consider or include:					
Participant data compared with information given to the actuary? (AEBP, ch. 10, par. 10.08)	BP339	_____	_____	_____	_____

\$20,700

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Use of actuary's work? (AEBP, ch. 10, pars. 10.18–10.23)	BP340	_____	_____	_____	_____
For defined contribution plans, did the audit procedures consider or include:					
Allocation of company and individual contributions, demographic data used to determine eligibility and vesting, and terminations? (AEBP, ch. 10, pars. 10.09–10.11)	BP341	_____	_____	_____	_____
Allocation of income or loss, forfeitures, etc.? (AEBP, ch. 10, par. 10.26a–e)	BP342	_____	_____	_____	_____
For health and welfare benefit plans, did the audit procedures consider or include:					
Claims information? (AEBP, ch. 10, pars. 10.12c and 10.29)	BP343	_____	_____	_____	_____
Claims incurred but not paid? (AEBP, ch. 10, pars. 10.30 and 10.32)	BP344	_____	_____	_____	_____
Premiums paid, and actuary's data? (AEBP, ch. 10, pars. 10.28 and 10.32)	BP345	_____	_____	_____	_____
Assets of more than one plan held in a 501(c)(9) VEBA trust? (AEBP, ch. 4, pars. 4.09 and 4.76–4.79)	BP346	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of participant data appear adequate? (AU Sec. 319)	BP347	_____	_____	_____	_____
Other Considerations					
Did the audit procedures consider or include:					
ERISA requirements, applicable sections of the Internal Revenue Code, related DOL and IRS regulations and the potential effect on the plan? (AEBP, ch. 5, par. 5.16)	BP348	_____	_____	_____	_____
SEC requirements if applicable? (AEBP, ch. 3, par. 3.07, ch. 12, pars. 12.14–12.16, ch. 13, pars. 13.37–13.39, and Appendix A, par. A.59)	BP349	_____	_____	_____	_____
Risk areas, such as valuation of non-readily marketable securities or specialized investments? (AEBP, ch. 5, pars. 5.17–5.20)	BP350	_____	_____	_____	_____
Plan transactions with parties-in-interest including a basis for identification, understanding and evaluation of parties-in-interest? (AEBP, ch. 11)	BP351	_____	_____	_____	_____
If the auditor concluded that a party-in-interest transaction resulted in an illegal act, including in-kind contributions of property other than cash that reduce the sponsor's obligation to fund the plan in cash, did the audit procedures adequately consider the effect on the financial statements as well as other aspects of the audit? (AEBP, ch. 11, pars. 11.09–11.13)	BP352	_____	_____	_____	_____
Reviewing the tax status of the plan and IRS determination letters? (AEBP, ch. 12, pars. 12.01–12.03)	BP353	_____	_____	_____	_____
Administrative expenses? (AEBP, ch. 12, pars. 12.08 and 12.09)	BP354	_____	_____	_____	_____
Reading the other information contained in the Form 5500 and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements? (AEBP, ch. 12, pars. 12.17–12.19)	BP355	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Reading the actuary's report, and reviewing the actuarial assumptions? (AEBP, ch. 10, pars. 10.18–10.23)	BP356	_____	_____	_____	_____
Comparing the plan provisions to the plan instrument and changes in provisions by the Internal Revenue Code in effect as of the plan year-end? (AEBP, chs. 1, 8, 10, and 12, pars. 1.19, 8.06a–d, 10.25a, 10.26a, and 12.03)	BP357	_____	_____	_____	_____
If the work of a specialist was used, did the auditor apply the guidance in professional standards? (AU Sec. 336)	BP358	_____	_____	_____	_____
If the firm issued an engagement letter on the audit engagement reviewed, did the language about the firm's responsibility with respect to the detection of errors and irregularities conform with the requirements of SAS No. 53? (AU Sec. 316, pars. 5–8)	BP359	_____	_____	_____	_____
If a third-party administrator was used, consideration of the effect of a service organization on the internal control structure of a user organization and the availability of audit evidence, including correct usage of a SAS No. 70 report if applicable? (AEBP, ch. 6, pars. 6.07–6.14 and AU Sec. 324, pars. 6–21)	BP360	_____	_____	_____	_____

IV. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and 20.10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and 102)	A601	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary or affiliate?	A602	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	A603	_____	_____	_____	_____
For non-SEC clients, were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	A604	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	A605	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	A606	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience, expertise, and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	A607	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	A608	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	A609	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	A610	_____	_____	_____	_____

[†] The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the REF column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	A611	_____	_____	_____	_____
Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	A612	_____	_____	_____	_____
Did the owner/partner (or manager) approve the overall audit plan (including the audit program) as the final planning step and convey approval or modifications to the engagement staff?	A613	_____	_____	_____	_____
Does it appear that hours charged by the owner/partner, manager, and where applicable, the concurring reviewer were adequate and appropriately timed to provide for planning and supervision as the job progressed?	A614	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	A615	_____	_____	_____	_____
Review of internal control:					
Manual system?	A616	_____	_____	_____	_____
EDP system?	A617	_____	_____	_____	_____
Audit work programs?	A618	_____	_____	_____	_____
Financial statement disclosures?	A619	_____	_____	_____	_____
Working paper and financial statement reviews?	A620	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	A621	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	A622	_____	_____	_____	_____
If used, were such audit tools as computer auditing or statistical sampling properly evaluated by persons with training in these areas? (AU Sec. 311.10)	A623	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	A624	_____	_____	_____	_____
Was there appropriate consultation and documentation:					
In situations specified by firm policy?	A625	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	A626	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	A627	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	A628	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	A629	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	A630	_____	_____	_____	_____

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner/partner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the matter is not significant enough to warrant the preparation of an MFC form.

Page Number	Question Number	Explanatory Comments	Disposition of Comments
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[illegible]

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
------------------------	----------------------------	-----------------------------	------------------------------------

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with generally accepted auditing standards? (See AU Sec. 390 and ET Sec. 202) YES ☐ NO ☐
 - The financial statements did not conform with generally accepted accounting principles (or where applicable, a comprehensive basis of accounting other than GAAP) in all material aspects and the auditor's report was not appropriately modified? (See AU Sec. 561 and ET Sec. 203) YES ☐ NO ☐
 - The auditor's report was not appropriate in the circumstances? YES ☐ NO ☐
 - The documentation on this engagement does not support the firm's opinion on the financial statements? YES ☐ NO ☐
 - The firm did not comply with its policies and procedures on this engagement in all material aspects? YES ☐ NO ☐
-

[The next page is 20,801.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51–53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA Peer Review Program Manual or Section 2000.83–89 in the SEC Practice Section Reference Manual.

Section 20,800

Prospective Financial Statement Engagement Checklist

Instructions for Use of the Checklist for Review of Prospective Financial Statement Engagements

This checklist was developed for use by reviewers of prospective financial statement engagements. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in engagements involving prospective financial statements. All "No" answers must be thoroughly explained in Section IV of this checklist.

This checklist is not intended to be a document containing all disclosure and reporting procedures related to prospective financial statements. Rather, it is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and procedural issues in order to sufficiently evaluate prospective financial engagements. These additional materials include the *AICPA Checklist Supplement and Illustrative Financial Statements for Prospective Financial Statements*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Guide for Prospective Financial Information*.

Explanation of References:

AT	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
AU	Reference to section number in <i>AICPA Professional Standards</i> (vol. 1)
APFI	<i>AICPA Audit and Accounting Guide Guide for Prospective Financial Information</i>
ET	Code of Professional Conduct <i>AICPA Professional Standards</i> (vol. 2)
SAS	AICPA Statements on Auditing Standards
SOP	AICPA Statement of Position
QC	Quality Control Standards <i>AICPA Professional Standards</i> (vol. 2)
SSAE	Statement on Standards for Attestation Engagements

ENGAGEMENT PROFILE

Engagement Code No. _____

Office _____

Owner/Partner _____

Date of Financial Statements* _____

Manager_____

Date of Report _____

Date Report Released _____

The responsibility of this engagement involves reporting on:

1. ☐ compiled forecast
 ☐ compiled projection
 ☐ examination of a projection
 ☐ examination of a forecast
- ☐ results of applying agreed-upon procedures
☐ other prospective financial information
 (describe) _____

- ☐ SEC engagement

2. that (include) (omit) substantially all required disclosures and
3. that (include) (do not include) supplementary information.

The prospective financial statements are for an entity that is a (an):

- () independent entity () subsidiary, division or branch
() consolidated or combined group () other (explain)

Date that the fee for the prior year's services was paid, if applicable:

Type of Industry:

Complex or troublesome assumptions and key factors:

Hours on this engagement:

Owner/Partner _____

Manager (or equivalent) _____

Concurring Reviewer** _____

Senior _____

Other Professionals

Total this office

Total budgeted

* * * * *

Date Engagement Review Performed _____

Date Checklist Reviewed
by Team Captain _____

Reviewer _____

Signature _____

* The effective date of all cross-referenced pronouncements should be considered in determining their applicability.

* Not applicable unless required by firm policy.

Checklist for Review of Prospective Financial Statement Engagements

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I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Title					
For a forecast, does the title describe the nature of the presentation and include the word "forecast" or "forecasted"? (APFI, Ch. 8, par. 8.05)	P101	_____	_____	_____	_____
For a projection, is the title descriptive of the presentation and does not imply that a presentation is a forecast? (APFI, Ch. 8, par. 8.05P)	P102	_____	_____	_____	_____
For a projection, does the title describe or refer to any significant hypothetical assumptions? (APFI, Ch. 8, par. 8.05P)	P103	_____	_____	_____	_____
Presentation					
Are the following minimum financial statement items disclosed? (APFI, Ch. 8, par. 8.06)					
(a) Sales or gross revenues?	P104	_____	_____	_____	_____
(b) Gross profit or cost of sales?	P105	_____	_____	_____	_____
(c) Unusual or infrequently occurring items?	P106	_____	_____	_____	_____
(d) Provision for income taxes?	P107	_____	_____	_____	_____
(e) Income from continuing operations?	P108	_____	_____	_____	_____
(f) Discontinued operations or extraordinary items?	P109	_____	_____	_____	_____
(g) Net income?	P110	_____	_____	_____	_____
(h) Primary and fully diluted earnings per share?	P111	_____	_____	_____	_____
(i) Significant changes in financial position?	P112	_____	_____	_____	_____
(j) A description of what the responsible party intends the prospective financial information to present, a statement that the assumptions are based on the responsible party's judgment at the time the prospective information was prepared, and a caveat that the projected results may not be achieved?	P113	_____	_____	_____	_____
(k) Summary of significant assumptions?	P114	_____	_____	_____	_____
(l) Summary of significant accounting policies?	P115	_____	_____	_____	_____
If item j through l above is omitted, is the accountant's report modified to reflect this deficiency? (APFI, Ch. 8, par. 8.08)	P116	_____	_____	_____	_____
If item k above is not included as an integral part of these financial statements, did the accountant consider withdrawing from the engagement? (APFI, Ch. 10, pars. 10.11, 10.11P, and 10.12)	P117	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If one or more of the omitted items (<i>a</i> through <i>i</i> , above) cannot be derived from the information presented, was guidance for partial presentations of prospective financial information followed? (APFI, Ch. 23 and SOP 90-1)	P118	_____	_____	_____	_____
If the size of the range is so wide that it is not meaningful, or if the range is biased, did the accountant consider withdrawing from the engagement? (APFI, Ch. 10, par. 10.15)	P119	_____	_____	_____	_____
Is the number and/or significance of the hypothetical assumptions so large that it may be inappropriate for the responsible party to present a financial projection? (APFI, Ch. 10, par. 10.14P)	P120	_____	_____	_____	_____
If the presentation is other than a single-point estimate, is there a clear indication that the presentation does not necessarily represent the best or worst possible alternatives? (APFI, Ch. 8, par. 8.21)	P121	_____	_____	_____	_____
If the forecast is supplemented by a financial projection, are both the forecast and projection clearly labeled? (APFI, Ch. 8, par. 8.20)	P122	_____	_____	_____	_____
Does the responsible party appear to have a reasonable objective basis for presenting prospective financial statements (APFI, Ch. 8, par. 8.04) and have the underlying assumptions and other issues affecting prospective financial statements been considered in accordance with SOP 92-2? (APFI, Ch. 7)	P123	_____	_____	_____	_____

Disclosure on the Face of Statements

Is each page of the prospective financials referenced to the summaries of significant assumptions and accounting policies? (APFI, Ch. 8, par. 8.10)

P124 _____

Assumptions

Has an introduction preceding the summary of assumptions been provided? (APFI, Ch. 8, par. 8.28)

P125 _____

For a projection, is an introduction presented that clearly explains any special purpose and limitation of the usefulness of the prospective financial statements? (APFI, Ch. 8, par. 8.29P)

P126 _____

Does the introduction include:

A description of what the responsible party intends the prospective financial statements to present? (APFI, Ch. 8, par. 8.28)

P127 _____

A statement that assumptions are not all-inclusive? (APFI, Ch. 8, par. 8.28)

P128 _____

If the presentation is a range, a statement that the responsible party expects the results to fall within a range, but that there will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected? (APFI, Ch. 8, par. 8.30)

P129 _____

A statement that the assumptions are based on the responsible party's judgment at the time the prospective information was prepared? (APFI, Ch. 8, par. 8.28)

P130 _____

A caveat that the prospective results may not be attained? (APFI, Ch. 8, par. 8.28)

P131 _____

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<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was the date of completion of the preparation presented in the introduction or elsewhere in the prospective financial statements? (APFI, Ch. 8, par. 8.11)	P132	_____	_____	_____
Do the assumptions disclosed include (APFI, Ch. 8, par. 8.23):				
Assumptions about which there is a reasonable possibility of the occurrence of a variation that may significantly affect the prospective results (sensitive assumptions)?	P133	_____	_____	_____
Assumptions about anticipated conditions expected to be significantly different from current conditions which are not otherwise reasonably apparent?	P134	_____	_____	_____
Other matters deemed important to the prospective information or its interpretation?	P135	_____	_____	_____
For a projection, did the responsible party identify which assumptions in the projection are hypothetical? (APFI, Ch. 8, par. 8.23P)	P136	_____	_____	_____
For a projection, if the hypothetical assumptions are improbable, is this disclosed? (APFI, Ch. 8, par. 8.23P)	P137	_____	_____	_____
Does the presentation indicate which assumptions disclosed appeared particularly sensitive at the time of preparation? (APFI, Ch. 8, par. 8.24)	P138	_____	_____	_____
If an updated prospective presentation is issued, is the reason for updating disclosed in the summary of significant assumptions? (APFI, Ch. 8, par. 8.48)	P139	_____	_____	_____
If an error in the preparation of the forecast is discovered, did the accountant consider whether it was necessary to withdraw the forecast? (APFI, Ch. 8, par. 8.47)	P140	_____	_____	_____

Accounting Principles and Policies

Is the summary of significant accounting policies used in preparing the prospective financials disclosed or cross-referenced to a presentation elsewhere in the document that contains this information? (APFI, Ch. 8, par. 8.12)	P141	_____	_____	_____
If historical financial statements for prospective periods are expected to be prepared on a comprehensive basis of accounting other than generally accepted accounting principles, are the prospective financial statements prepared on the same basis? (APFI, Ch. 8, par. 8.14)	P142	_____	_____	_____
Is the basis used disclosed (including statement titles) along with the fact that the disclosed basis is different from generally accepted accounting principles? (APFI, Ch. 8, par. 8.14)	P143	_____	_____	_____
For a projection which requires that it be prepared based on other accounting principles, is the use of other accounting principles disclosed? (APFI, Ch. 8, par. 8.13P)	P144	_____	_____	_____
If a different comprehensive basis of accounting is used for the prospective financial statements than is expected to be used for the historical financial statements for the prospective period, is the use of the different basis disclosed? (APFI, Ch. 8, par. 8.15)	P145	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If deemed appropriate, are differences in financial position and results of operations arising from the use of different accounting principles reconciled? (APFI, Ch. 8, par. 8.15)	P146	_____	_____	_____	_____
If the prospective financial statements give effect to a change in accounting principle from one used in prior period historical financial statements, is the change reported in the prospective information in the same manner that would be used in the historical financial statements? (APFI, Ch. 8, par. 8.16)	P147	_____	_____	_____	_____
Reports—Compilation					
Does the accountant's standard report on a compilation of prospective financial statements include (APFI, Ch. 14, par. 14.01):					
An identification of the prospective financial statements presented by the responsible party?	P148	_____	_____	_____	_____
A statement that the accountant has compiled the prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants?	P149	_____	_____	_____	_____
A statement that a compilation is limited in scope and does not enable the accountant to express an opinion or any other form of assurance on the prospective financial statements or the assumptions?	P150	_____	_____	_____	_____
A caveat that the prospective results may not be achieved?	P151	_____	_____	_____	_____
A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report?	P152	_____	_____	_____	_____
If a projection, does the accountant's report include a separate paragraph describing the limitations on the usefulness of the presentation? (APFI, Ch. 14, par. 14.01P)	P153	_____	_____	_____	_____
If a range is presented, does the report include a separate paragraph stating that the responsible party has elected to portray the expected results of one or more assumptions as a range? (APFI, Ch. 14, par. 14.03)	P154	_____	_____	_____	_____
Was the date of the completion of the compilation procedures used as the date of the report? (APFI, Ch. 14, par. 14.04)	P155	_____	_____	_____	_____
If the accountant was not independent, did he/she specifically disclose a lack of independence after the last paragraph of the standard compilation report? (APFI, Ch. 14, par. 14.05)	P156	_____	_____	_____	_____
If the historical financial statements that appear in the document were summarized and presented with the prospective financial statements for comparative purposes, was a reference made to the accountant's report on the historical financial statements? (APFI, Ch. 14, par. 14.06)	P157	_____	_____	_____	_____
If the accountant expands his/her report to emphasize a matter, was the information presented in a separate paragraph of the accountant's report? (APFI, Ch. 14, par. 14.07)	P158	_____	_____	_____	_____
When emphasizing a matter, did the report not give the impression that assurance is being expressed or the degree of responsibility was being expanded concerning such information? (APFI, Ch. 14, par. 14.07)	P159	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the accountant compiled prospective financial statements that contain presentation deficiencies or omit disclosures other than those relating to significant assumptions, is the deficiency or omission clearly indicated in the report? (APFI, Ch. 14, pars. 14.09 and 14.10)	P160	_____	_____	_____	_____
If the prospective financial statements are presented on a comprehensive basis of accounting other than generally accepted accounting principles and do not include disclosure of the basis of accounting used, is the basis disclosed in the accountant's report? (APFI, Ch. 14, par. 14.11)	P161	_____	_____	_____	_____
Reports—Examination					
Does the accountant's standard report on an examination of the prospective financial statements include (APFI, Ch. 17, par. 17.01):					
An identification of the prospective financial statements presented?	P162	_____	_____	_____	_____
A statement that the examination was made in accordance with AICPA standards and a brief description of the nature of such an examination?	P163	_____	_____	_____	_____
The accountant's opinion that the prospective financial statements are presented in conformity with AICPA presentation guidelines and that the underlying assumptions provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions?	P164	_____	_____	_____	_____
A caveat that the prospective results may not be achieved?	P165	_____	_____	_____	_____
A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report?	P166	_____	_____	_____	_____
In the examination of a projection, is the opinion regarding assumptions conditioned on the hypothetical assumptions? (APFI, Ch. 17, par. 17.02P and AT Sec. 200.33)	P167	_____	_____	_____	_____
Does the report include a separate paragraph that describes the limitations on the usefulness of the presentation? (APFI, Ch. 17, par. 17.02P and AT Sec. 200.33)	P168	_____	_____	_____	_____
If a range is presented, does the report include a separate paragraph stating that the responsible party has elected to portray the expected results of one or more assumptions as a range? (APFI, Ch. 17, par. 17.03)	P169	_____	_____	_____	_____
Is the date of completion of the accountant's examination procedures used as the date of the report? (APFI, Ch. 17, par. 17.05)	P170	_____	_____	_____	_____
If, in the accountant's opinion, the prospective financial statements depart from AICPA presentation guidelines, was a qualified or adverse opinion expressed? (APFI, Ch. 17, par. 17.06)	P171	_____	_____	_____	_____
If the presentation, including the summary of significant assumptions, fails to disclose any assumptions that, at the time, appear to be significant, did the accountant describe the assumptions in the report and issue an adverse opinion? (APFI, Ch. 17, pars. 17.10 and 17.10P)	P172	_____	_____	_____	_____
If the accountant believes that one or more significant assumptions do not provide a reasonable basis for the forecast, or a reasonable basis for the projection given the hypothetical assumptions, was an adverse opinion expressed? (APFI, Ch. 17, pars. 17.06a and b, and 17.06P)	P173	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the accountant's examination is affected by conditions that preclude application of one or more procedures considered necessary in the circumstances, was an opinion disclaimed and the scope limitation described? (APFI, Ch. 17, par. 17.06c)	P174	_____	_____	_____	_____
In a qualified opinion, did the accountant state all of the substantive reasons for the modification of the opinion and describe the departure from AICPA presentation guidelines in a separate paragraph of the report? (APFI, Ch. 17, par. 17.07)	P175	_____	_____	_____	_____
For the accountant's report (APFI, Ch. 17, pars. 17.07–17.09):					
Does the opinion that includes a qualified opinion include the words "except" or "exception" as the qualifying language?	P176	_____	_____	_____	_____
Does the opinion paragraph refer to the separate explanatory paragraph?	P177	_____	_____	_____	_____
If a measurement departure, an unreasonable assumption, or a limitation on the scope of the accountant's examination has led the accountant to conclude that an unqualified opinion cannot be expressed, did the report contain an adverse opinion, or a disclaimer of opinion based on the circumstances?	P178	_____	_____	_____	_____
If an adverse opinion was expressed, did the accountant state all of the substantive reasons for such an opinion in a separate paragraph?	P179	_____	_____	_____	_____
If applicable, does the opinion state that the presentation is not in conformity with presentation guidelines?	P180	_____	_____	_____	_____
When applicable, does the opinion paragraph state that, in the accountant's opinion, the assumptions do not provide a reasonable basis for the prospective financial statements?	P181	_____	_____	_____	_____
Reports—Examination of a Forecast—Public Offering					
Does the accountant have a reasonable basis to consent to the use of the report in a 1993 Act filing? (APFI, Ch. 18, par. 18.04)	P182	_____	_____	_____	_____
Did the accountant perform the applicable steps below to determine that he/she had a reasonable basis for such consent (APFI, Ch. 18, par. 18.04):					
Did the accountant perform procedures for the period from the date of examination up to the consent date and as is reasonable and practical in circumstances?	P183	_____	_____	_____	_____
Did the accountant read the latest interim financial statements, operating reports, and any relevant information such as budgets?	P184	_____	_____	_____	_____
Did the accountant consider prospective results in relation to actual results achieved in the interim period?	P185	_____	_____	_____	_____
Did the accountant inquire whether or not accounting principles used are consistent with the principles used in preparing the forecast?	P186	_____	_____	_____	_____
Did the accountant read the prospectus and other pertinent portions of the registration statement and consider that information in relation to prospective results and summary of significant assumptions?	P187	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the accountant inquire of and obtain written representations from the responsible party as to whether there are any events, plans, or expectations that may require the forecast to be modified, or that should be disclosed in order that the forecast reflect the responsible party's judgment based on present circumstances of the expected conditions and its expected course of action?	P188	_____	_____	_____	_____
Did the accountant read the minutes of the board of directors and related committees?	P189	_____	_____	_____	_____
Did the accountant make additional inquiries or perform such procedures as were considered necessary to dispose of questions that arose in carrying out the foregoing procedures?	P190	_____	_____	_____	_____
If the accountant believes that the forecast, including the summary of significant assumptions, should be revised, was the client requested to revise its forecast and, if engaged to do so, did the accountant examine the revised forecast? (APFI, Ch. 18, par. 18.05)	P191	_____	_____	_____	_____
If the client does not make appropriate revisions to the forecast, did the accountant refuse his/her consent to the use of the report in the registration statement? (APFI, Ch. 18, par. 18.05)	P192	_____	_____	_____	_____
Is the accountant's consent in writing? (APFI, Ch. 18, par. 18.06)	P193	_____	_____	_____	_____
Is the consent for the 1933 Act filing manually signed and dated? (APFI, Ch. 18, par. 18.06)	P194	_____	_____	_____	_____
Is the consent dated at or near the effective date of the registration statement? (APFI, Ch. 18, par. 18.07)	P195	_____	_____	_____	_____
If the "experts" section of the registration statement is worded so that there is no implication that the forecast has been prepared by the accountant or that the forecast is not the direct responsibility of the responsible party, did the accountant request that this language be changed? (APFI, Ch. 18, par. 18.09)	P196	_____	_____	_____	_____
Reports—Application of Agreed-Upon Procedures					
Does the accountant's report on the results of applying agreed-upon procedures include (SSAE No. 4, par. 54 and APFI, Ch. 21, par. 21.01):					
A title that includes the word "independent"? (SSAE No. 4, par. 54a)	P197	_____	_____	_____	_____
Identification of the specific users of the report? (SSAE No. 4, par. 54b)	P198	_____	_____	_____	_____
A reference to the prospective financial statements covered by the report and the character of the engagement? (SSAE No. 4, par. 54c)	P199	_____	_____	_____	_____
A statement that the procedures performed were those agreed to by the specified users identified in the report, and wording to describe or clarify the purpose of the engagement? (SSAE No. 4, par. 54d)	P200	_____	_____	_____	_____
A reference to standards established by the AICPA? (SSAE No. 4, par. 54e)	P201	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A statement that the sufficiency of the procedures is solely the responsibility for the specified users and a disclaimer of responsibility for the sufficiency of those procedures? (SSAE No. 4, par. 54f)	P202	_____	_____	_____	_____
A list of the procedures performed (or reference thereto) and related findings? (The accountant should not provide negative assurance.) (SSAE No. 4, par. 54g)	P203	_____	_____	_____	_____
Where applicable, a description of any agreed-upon materiality limits? (SSAE No. 4, par. 54h)	P204	_____	_____	_____	_____
A statement that the accountant was not engaged to, and did not, perform an examination of prospective financial statements; a disclaimer of opinion on whether the presentation of the prospective financial statements is in conformity with AICPA presentation guidelines and on whether the underlying assumptions provide a reasonable basis for the projection, or a reasonable basis for the projection given the hypothetical assumptions, and a statement that if the accountant had performed additional procedures, other matters might have come to his or her attention that would have been reported? (SSAE No. 4, par. 54i)	P205	_____	_____	_____	_____
A statement of restrictions on the use of the report because it is intended to be used solely by the specified users? (SSAE No. 4, par. 54j)	P206	_____	_____	_____	_____
Where applicable, reservations or restrictions concerning procedures or findings? (SSAE No. 4, par. 54k)	P207	_____	_____	_____	_____
A caveat that the prospective results may not be achieved? (SSAE No. 4, par. 54l)	P208	_____	_____	_____	_____
A statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report? (SSAE No. 4, par. 54m)	P209	_____	_____	_____	_____
Where applicable, a description of the nature of the assistance provided by a specialist? (SSAE No. 4, par. 54n)	P210	_____	_____	_____	_____
Were the results of applying the agreed-upon procedures presented in the form of findings (negative assurance should not be provided)? (APFI, Ch. 21, par. 21.02)	P211	_____	_____	_____	_____
Were all findings from the application of the agreed-upon procedures reported (unless a definition of materiality is agreed upon by the specified users)? (APFI, Ch. 21, par. 21.03)	P212	_____	_____	_____	_____
In reporting findings, was vague or ambiguous language avoided? (APFI, Ch. 21, par. 21.04)	P213	_____	_____	_____	_____

II. WORKING PAPERS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Are the accountant's working papers in connection with the compilation or examination of, or the application of agreed-upon procedures to, prospective financial statements appropriate in the circumstances? (APFI, Ch. 12, par. 12.11 for compilations and APFI, Ch. 15, par. 15.41 and AT Sec. 200.30 for examinations, and APFI, Ch. 19, par. 19.10 for agreed-upon procedures)	P214	_____	_____	_____	_____
For compilations, do the working papers indicate that (APFI, Ch. 12, par. 12.11):					
The work was adequately planned and supervised?	P215	_____	_____	_____	_____
The required compilation procedures were performed as a basis for the compilation report?	P216	_____	_____	_____	_____
For an examination, do the working papers indicate that (APFI, Ch. 15, par. 15.41):					
The work was adequately planned and supervised?	P217	_____	_____	_____	_____
The process by which the entity developed its prospective financial information was considered in determining the scope of the examination?	P218	_____	_____	_____	_____
Sufficient evidence was obtained to provide a reasonable basis for the accountant's report?	P219	_____	_____	_____	_____
For agreed-upon procedures, do the working papers indicate that (SSAE No. 4, par. 29 and APFI, Ch. 19, par. 19.10):					
The work was adequately planned and supervised?	P220	_____	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the finding or findings expressed in the accountant's report?	P221	_____	_____	_____	_____
Did the accountant:					
Establish an understanding with the client, preferably in writing? (APFI, Ch. 12, par. 12.10 for a compilation and APFI, Ch. 15, par. 15.12 for an examination and Ch. 19, par. 19.05 for attest engagements)	P222	_____	_____	_____	_____
Obtain knowledge of the entity's business, accounting principles and key factors upon which its future financial results appear to depend? (APFI, Ch. 12, par. 12.07 or Ch. 15, par. 15.10)	P223	_____	_____	_____	_____
Perform the appropriate procedures:					
For compilations, by listing or obtaining a list of the responsible party's significant assumptions, and consider whether there were any obvious omissions in light of the key factors on which the prospective results appear to depend? (APFI, Ch. 12, par. 12.10)	P224	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
For examinations by performing those procedures the accountant considers necessary in the circumstances to report on whether the assumptions provide a reasonable basis for the prospective financial information? (APFI, Ch. 15, par. 15.20)	P225	_____	_____	_____	_____
For agreed-upon procedures, inspection of specified documents evidencing certain types of transactions or detailed attributes thereof, and confirmation of specific information with third parties? (APFI, Ch. 19, par. 19.08)	P226	_____	_____	_____	_____
Perform or test the mathematical accuracy of computations that translate the assumptions into the prospective amounts in the prospective financial statements? (APFI, Ch. 12, par. 12.10, Ch. 15, par. 15.35 and Ch. 19, par. 19.08)	P227	_____	_____	_____	_____
Obtain written representations from the responsible party acknowledging its responsibility for both the presentation and the underlying assumptions? (APFI, Ch. 12, par. 12.10 or Ch. 15, par. 15.37, and Ch. 19, pars. 19.14 and 19.15)	P228	_____	_____	_____	_____
If the work of a specialist was used in an examination, was the guidance provided in SAS No. 73, "Using the Work of a Specialist" followed? (APFI, Ch. 15, par. 15.39 and Ch. 19, par. 19.16)	P229	_____	_____	_____	_____
Were the following conditions met for applying agreed-upon procedures (APFI, Ch. 19, par. 19.01):					
The accountant is independent? (SSAE No. 4, par. 50a)	P230	_____	_____	_____	_____
The accountant and the specified users agree upon the procedures performed or to be performed by the accountant? (SSAE No. 4, par. 50b)	P231	_____	_____	_____	_____
The specified users take responsibility for the sufficiency of the agreed-upon procedures for their purposes? (SSAE No. 4, par. 50c)	P232	_____	_____	_____	_____
The prospective financial statements include a summary of significant assumptions? (SSAE No. 4, par. 50d)	P233	_____	_____	_____	_____
The prospective financial statements to which the procedures are to be applied are subject to reasonably consistent estimation or measurement? (SSAE No. 4, par. 50e)	P234	_____	_____	_____	_____
The accountant and the specified users agreed upon the criteria to be used in the determination of findings? (SSAE No. 4, par. 50f)	P235	_____	_____	_____	_____
The procedures to be applied to the prospective financial statements are expected to result in reasonably consistent findings using the criteria? (SSAE No. 4, par. 50g)	P236	_____	_____	_____	_____
Evidential matter related to the prospective financial statements to which the procedures are applied is expected to exist in order to provide a reasonable basis for expressing the findings in the accountant's report? (SSAE No. 4, par. 50h)	P237	_____	_____	_____	_____
Where applicable, a description of any agreed-upon materiality limits for reporting purposes? (SSAE No. 4, par. 50i)	P238	_____	_____	_____	_____
Use of the report is to be restricted to the specified users? (SSAE No. 4, par. 50j)	P239	_____	_____	_____	_____

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III. FUNCTIONAL AREAS[†]

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 102)	P301	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	P302	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to audit segments or component units of the entity?	P303	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	P304	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	P305	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-.13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	P306	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	P307	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	P308	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriately evaluated?	P309	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-.16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	P310	_____	_____	_____	_____

* The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was noting the page number in the Ref. column generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	P311	_____	_____	_____	_____
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan? (AU Secs. 311 and 339.05)	P312	_____	_____	_____	_____
Did the owner/partner (or manager) approve the overall engagement plan as the final planning step and convey approval or modifications to the engagement staff?	P313	_____	_____	_____	_____
Does it appear that hours charged by the owner/partner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	P314	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	P315	_____	_____	_____	_____
Work programs?	P316	_____	_____	_____	_____
Disclosure and reporting checklist?	P317	_____	_____	_____	_____
Working paper and prospective financial statement reviews?	P318	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	P319	_____	_____	_____	_____
Were the firm's guidelines for the form and content of audit working papers complied with?	P320	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and prospective financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy, and was that review documented?	P321	_____	_____	_____	_____
Was there appropriate consultation and documentation:					
In situations specified by firm policy?	P322	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	P323	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	P324	_____	_____	_____	_____
Does it appear that the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	P325	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	P326	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	P327	_____	_____	_____	_____

IV. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
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* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate but that the matter is not significant enough to warrant the preparation of an MFC form.

\$20,800

Page
NumberQuestion
NumberExplanatory CommentsDisposition
of Comments

<u>Page Number</u>	<u>Question Number</u>	<u>Explanatory Comments</u>	<u>Disposition of Comments</u>
------------------------	----------------------------	-----------------------------	------------------------------------

Note: Attach additional sheets if required.

V. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

- The firm did not perform the engagement in all material respects in accordance with professional standards (see ET Sec. 202)? YES* ____ NO ____
 - The prospective financial statements were not presented fairly in all material respects and the firm's report was not appropriately modified (see ET Sec. 203)? YES* ____ NO ____
 - The firm's report was not appropriate in the circumstances? YES* ____ NO ____
 - The documentation on this engagement does not support the firm's report on the prospective financial statements? YES ____ NO ____
 - The firm did not comply with its policies and procedures on this engagement in all material respects? YES ____ NO ____
- _____

[The next page is 20,901.]

* If the question is answered "yes," see additional guidance contained in Section 3100.51–.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83–.89 in the *SEC Practice Section Reference Manual*.

Section 20,900

*Agreed-Upon Procedures Engagement Checklist**

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Concurring Reviewer _____

Office _____
 Period Covered _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting under:

- ☐ Statement on Auditing Standards No. 75
☐ Statements on Standards for Attestation Engagements (AT Section 600)

Financial or Other Information Involved: _____

The procedures are for an entity that is a (an):

- ☐ independent entity ☐ subsidiary, division or branch
☐ consolidated or combined group ☐ other (explain)

Date that the fees for the prior year's services were paid, if applicable:

Type of industry:

Complex or troublesome areas:

Hours on this engagement:

Owner/Partner _____
 Manager (or equivalent) _____
 Concurring Reviewer _____
 Senior/Other Professionals _____
 Total this office _____

Total budgeted _____

* * * * *

Date Engagement
Review Performed _____

Date Checklist Reviewed by
Team Captain _____

Reviewer _____

Signature _____

* Reviews of agreed-upon procedures of financial forecasts and projections engagements performed under AT Sec. 200 of the Statements on Standards for Attestation Engagements should be documented using the Prospective Financial Statement Engagement Checklist (Sec. 20,800).

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Note: This checklist has been updated through SAS No. 82 and SSAE No. 6.

Explanation of References:

AU	Reference to codified Statements on Auditing Standards section number in <i>AICPA Professional Standards</i> (vol. 1)
AT	Reference to codified Statements on Standards for Attestation Engagements section number in <i>AICPA Professional Standards</i> (vol. 1)
ET	Code of Professional Conduct in <i>AICPA Professional Standards</i> (vol. 2)
QC	Quality Control Standards in <i>AICPA Professional Standards</i> (vol. 2)

I. REPORT

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Does the practitioner's report on agreed-upon procedures contain the following elements:					
A title that includes the word "independent"? (AU Sec. 622.33a or AT Sec. 600.33a)	AT101	_____	_____	_____	_____
Identification of the specified users of the report? (AU Sec. 622.33c or AT Sec. 600.33b)	AT102	_____	_____	_____	_____
Reference to the character of the engagement and to the specified elements, accounts, or items of a financial statement of an identified entity or to the assertion? (AU Sec. 622.33b or AT Sec. 600.33c)	AT103	_____	_____	_____	_____
If performed under the auditing standards, the basis of accounting of the specified elements, accounts, or items of a financial statement unless clearly evident? (AU Sec. 622.33d)	AT104	_____	_____	_____	_____
If performed under the attestation standards, a reference to the criteria against which the assertion was measured? (AT 100.49)	AT105	_____	_____	_____	_____
A statement that the procedures performed were those agreed to by the specified users identified in the report? (AU Sec. 622.33e or AT Sec. 600.33d)	AT106	_____	_____	_____	_____
Reference to standards established by the AICPA? (AU Sec. 622.33f or AT Sec. 600.33e)	AT107	_____	_____	_____	_____
A statement that the sufficiency of the procedures is solely the responsibility of the specified users and a disclaimer of responsibility for the sufficiency of those procedures? (AU Sec. 622.33g or AT Sec. 600.33f)	AT108	_____	_____	_____	_____
A list of the procedures performed (or reference thereto) and related findings? (The practitioner should not provide negative assurance.) (AU Sec. 622.33h or AT Sec. 600.33g)	AT109	_____	_____	_____	_____
Where applicable, a description of any agreed-upon materiality limits? (AU Sec. 622.33i or AT Sec. 600.33h)	AT110	_____	_____	_____	_____
A statement that the practitioner was not engaged to, and did not, perform an audit of the specified elements, accounts, or items or an examination of the assertion, a disclaimer of opinion on the specified elements, accounts, or items or on the assertion, and a statement that if the practitioner had performed additional procedures, other matters might have come to his or her attention that would have been reported? (AU Sec. 622.33j or AT Sec. 600.33i)	AT111	_____	_____	_____	_____
A disclaimer on the effectiveness of the internal control over financial reporting or any part thereof, if while performing a SAS No. 75 engagement on specified elements, accounts, or items of a financial					

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
statement, the accountant also performs agreed-upon procedures on part of an entity's internal control over financial reporting?	AT112	_____	_____	_____	_____
A statement of restrictions on the use of the report because it is intended to be used solely by the specified users? (AU Sec. 622.33l or AT Sec. 600.33j)	AT113	_____	_____	_____	_____
If the report is a matter of public record, does it include a sentence stating: "However, this report is a matter of public record and its distribution is not limited"? (AU Sec. 622.33l or AT Sec. 600.33j)	AT114	_____	_____	_____	_____
Where applicable, reservations or restrictions concerning procedures or findings? (AU Sec. 622.33m or AT Sec. 600.33k)	AT115	_____	_____	_____	_____
Where applicable, a description of the nature of the assistance provided by a specialist? (AU Sec. 622.33n or AT Sec. 600.33m)	AT116	_____	_____	_____	_____
Is the report dated the date of completion of the agreed-upon procedures? (AU Sec. 622.36 or AT Sec. 600.36)	AT117	_____	_____	_____	_____
If requested to add additional users, did the practitioner obtain affirmative acknowledgment from the additional parties agreeing to the procedures performed and of their taking responsibility for the sufficiency of the procedures? (AU Sec. 622.38 or AT Sec. 600.38)	AT118	_____	_____	_____	_____
Did the practitioner follow the general, fieldwork, and reporting standards for attestation engagements? (AT Sec. 100)	AT119	_____	_____	_____	_____

II. GENERAL AGREED-UPON PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Were the following conditions met for applying agreed-upon procedures:					
The practitioner was independent? (AU Sec. 622.09a or AT Sec. 600.10a)	AT201	_____	_____	_____	_____
If performed under the attestation standards, the responsible party provided the assertion in writing to the practitioner prior to the issuance of his or her report? (AT Sec. 600.10b)	AT202	_____	_____	_____	_____
The practitioner and the specified users agreed upon the procedures performed or to be performed by the practitioner? (AU Sec. 622.09b or AT Sec. 600.10c)	AT203	_____	_____	_____	_____
The specified users took responsibility for the sufficiency of the agreed-upon procedures for their purposes? (AU Sec. 622.09c or AT Sec. 600.10d)	AT204	_____	_____	_____	_____
The specific subject matter to which the procedures were applied were subject to reasonably consistent estimation or measurement? (AU Sec. 622.09f or AT Sec. 600.10e)	AT205	_____	_____	_____	_____
If performed under the attestation standards, the criteria to be used in the determination of findings were agreed upon between the practitioner and the specified users? (AT Sec. 600.10f)	AT206	_____	_____	_____	_____
If performed under the auditing standards, the basis of accounting of the specified elements, accounts, or items of a financial statement was clearly evident to the specified users and the practitioner? (AU Sec. 622.09e)	AT207	_____	_____	_____	_____
The procedures to be performed were expected to result in reasonably consistent findings? (AU Sec. 622.09d or AT Sec. 600.10g)	AT208	_____	_____	_____	_____
Evidential matter related to the specific subject matter to which the procedures were applied and provided a reasonable basis for expressing the findings in the practitioner's report? (AU Sec. 622.09g or AT Sec. 600.10h)	AT209	_____	_____	_____	_____
Where applicable, the practitioner and the specified users agreed on any materiality limits for reporting purposes? (AU Sec. 622.09h or AT Sec. 600.10i)	AT210	_____	_____	_____	_____
Use of the report was restricted to the specified users? (AU Sec. 622.09i or AT Sec. 600.10j)	AT211	_____	_____	_____	_____
Did the practitioner communicate directly with and obtain affirmative acknowledgment from each of the specified users? (AU Sec. 622.10 or AT Sec. 600.11)	AT212	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If no, were appropriate alternative procedures performed, such as comparing the procedures to be applied to written requirements of the specified users, discussing the procedures to be applied with appropriate representatives of the specified users involved, or reviewing relevant contracts with or correspondence from the specified users? (AU Sec. 622.10 or AT Sec. 600.11)	AT213	_____	_____	_____	_____
Did the practitioner establish an understanding with the client regarding the terms of the engagement, preferably in an engagement letter? (AU Sec. 622.11 or AT Sec. 600.12)	AT214	_____	_____	_____	_____
Has anything come to your attention to cause you not to believe that the practitioner have adequate knowledge in the specific subject matter to which the agreed-upon procedures were applied? (AU Sec. 622.14 or AT Sec. 600.15)	AT215	_____	_____	_____	_____
Did the procedures performed appear to be not overly subjective and thus open to varying interpretations? (AU Sec. 622.17 or AT Sec. 600.18)	AT216	_____	_____	_____	_____
Did the practitioner avoid using terms of uncertain meaning in describing procedures performed? (AU Sec. 622.17 or AT Sec. 600.18)	AT217	_____	_____	_____	_____
Did the practitioner obtain evidential matter from applying the agreed-upon procedures to provide a reasonable basis for the finding(s) expressed in the practitioner's report? (AU Sec. 622.17 or AT Sec. 600.18)	AT218	_____	_____	_____	_____
If the work of a specialist was used, did the practitioner and the specified users explicitly agree to the involvement of the specialist in assisting the practitioner in the performance of the engagement? (AU Sec. 622.22 or AT Sec. 600.22)	AT219	_____	_____	_____	_____
Were the agreed-upon procedures performed entirely by the practitioner except for those agreed by the practitioner and the specified users to be performed by a specialist? (AU Sec. 622.24 or AT Sec. 600.24)	AT220	_____	_____	_____	_____
When the practitioner decides to obtain a representation letter, or when such a letter is required, does the letter include a statement(s) that the responsible party has disclosed all known material and relevant matters to the practitioner? (For example, does the letter disclose all known matters contradicting the basis of accounting or assertion and any communication from regulatory agencies affecting the specified elements, accounts, items or assertions?) (AU Sec. 622.39 or AT Sec. 600.40)	AT221	_____	_____	_____	_____
If the practitioner requested a letter and the responsible party refused to sign such a letter, did the accountant do one of the following (a) disclose in the report the inability to obtain representations, (b) withdraw from the engagement, or (c) change the engagement to another form of engagement? (AU Sec. 622.41 or AT Sec. 600.41)	AT222	_____	_____	_____	_____
If the practitioner was requested to change from another form of engagement to an engagement to apply agreed-upon procedures, were the following considered by the practitioner before agreeing to the change:					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The possibility that certain procedures performed as part of another type of engagement are not appropriate for inclusion in an engagement to apply agreed-upon procedures? (AU Sec. 622.43a or AT Sec. 600.44a)	AT223	_____	_____	_____	_____
The reason given for the request, particularly the implications of a restriction on the scope of the original engagement or the matters to be reported? (AU Sec. 622.43b or AT Sec. 600.44b)	AT224	_____	_____	_____	_____
The additional effort required to complete the original engagement? (AU Sec. 622.43c or AT Sec. 600.44c)	AT225	_____	_____	_____	_____
If applicable, the reasons for changing from a general-distribution report to a restricted-use report? (AU Sec. 622.43d or AT Sec. 600.44d)	AT226	_____	_____	_____	_____

III. WORKING PAPERS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Did the practitioner prepare and maintain working papers? (AU Sec. 622.29 or AT Sec. 600.29)	AT301	_____	_____	_____	_____
If yes, were the working papers appropriate to the circumstances and the practitioner's needs on the engagement? (AU Sec. 622.29 or AT Sec. 600.29)	AT302	_____	_____	_____	_____
Do the working papers indicate that—					
The work was adequately planned and supervised? (AU 622.29a or AT Sec. 600.29a)	AT303	_____	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the finding(s) expressed in the practitioner's report? (AU 622.29b or AT Sec. 600.29b)	AT304	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

IV. FUNCTIONAL AREAS*

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and AT Sec. 100.22)	AT401	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	AT402	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to perform a portion of the attest service?	AT403	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	AT404	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	AT405	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11--13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	AT406	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	AT407	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	AT408	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriate?	AT409	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14--16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	AT410	_____	_____	_____	_____
Engagement Performance (QC Sec. 20.17--19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	AT411	_____	_____	_____	_____

* The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

\$20,900

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan?	AT412	_____	_____	_____	_____
Did the owner (or manager) approve the overall plan as the final planning step and convey approval or modifications to the engagement staff?	AT413	_____	_____	_____	_____
Does it appear that hours charged by the owner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	AT414	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	AT415	_____	_____	_____	_____
Work program?	AT416	_____	_____	_____	_____
Working paper and written assertion reviews?	AT417	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	AT418	_____	_____	_____	_____
Were the firm's guidelines for the form and content of working papers complied with?	AT419	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and written assertions by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	AT420	_____	_____	_____	_____
Was there appropriate consultation and documentation—					
In situations specified by firm policy?	AT421	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	AT422	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	AT423	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	AT424	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	AT425	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	AT426	_____	_____	_____	_____

V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
------------------------	----------------------------	-----------------------------	-------------------------------------

* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

\$20,900

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

The firm did not perform the engagement in all material respects in accordance with professional standards?

YES* ____ NO ____

The specified elements, accounts, or items of a financial statement or the written assertions were not presented in conformity with the established or stated criteria against which they were measured and the firm's report was not appropriately modified?

YES* ____ NO ____

The firm's report was not appropriate in the circumstances?

YES* ____ NO ____

The documentation on this engagement does not support the firm's report on the specified elements, accounts, or items of a financial statement or the written assertions?

YES* ____ NO ____

The firm did not comply with its policies and procedures on this engagement in all material respects?

YES* ____ NO ____

[The next page is 21,001.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the SEC *Practice Section Reference Manual*.

Section 21,000

Other Attestation Engagement Checklist*

ENGAGEMENT PROFILE

Engagement Code No. _____
 Owner/Partner _____
 Manager _____
 Concurring Reviewer _____

Office _____
 Period Covered _____
 Date of Report _____
 Date Report Released _____

This engagement involves reporting on:

- ☐ Examination of written assertions—Internal controls over financial reporting
- ☐ Examination of written assertions—Compliance with laws and regulations
- ☐ Examination of written assertions—Pro forma financial information
- ☐ Examination of written assertions—Other
- ☐ Review of written assertions—Pro forma financial information
- ☐ Review of written assertion—Other (explain) _____

Financial or Other Information Involved: _____

The assertions are for an entity that is a (an):

- ☐ independent entity
- ☐ consolidated or combined group
- ☐ subsidiary, division or branch
- ☐ other (explain) _____

Date that the fee for the prior year's services was paid, if applicable: _____

Type of industry: _____

Complex or troublesome areas: _____

Hours on this engagement:

Owner/Partner _____
 Manager (or equivalent) _____
 Concurring Reviewer _____
 Senior/Other Professionals _____
 Total this office _____

Total budgeted _____

* * * * *

Date Engagement
 Review Performed _____

Date Checklist Reviewed by
 Team Captain _____

Reviewer _____

Signature _____

* Reviews of examined or compiled financial forecasts and projections engagements performed under AT Sec. 200 of the Statements on Standards for Attestation Engagements should be documented using the Prospective Financial Statement Engagement Checklist (Sec. 20,800). Reviews of agreed-upon procedures engagements (whether of financial forecasts and projections or written assertions) performed under the attestation standards should be documented using the Agreed-Upon Procedures Engagement Checklist (Sec. 20,900). Any attestation engagements not covered by those two checklists should be documented using this checklist.

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Note: This checklist has been updated through SSAE No. 7. SSAE No. 8 is effective upon issuance and applies to an examination or review of Management’s Discussion and Analysis in accordance with SEC rules and regulations.

Explanation of References:

AT	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
ET	Code of Professional Conduct in AICPA <i>Professional Standards</i> (vol. 2)
QC	Quality Control Standards in AICPA <i>Professional Standards</i> (vol. 2)
SSAE	Statement on Standards for Attestation Engagements
AU	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)

I. REPORT

Note: Complete only the sections that apply to the type of attestation engagement being reviewed. The questions contained in each section represent some of the procedures or tests that the reviewed firm might have undertaken to form conclusions in support of the assertions. The practitioner should place an "X" in the box below the sections that are not applicable to the type of attestation engagement reviewed.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Does the report—					
Identify the assertion being reported on and state the character of the engagement? (AT Sec. 100.45)	AT101	_____	_____	_____	_____
State all of the practitioner's significant reservations about the engagement and the presentation of the assertions? (AT Sec. 100.63)	AT102	_____	_____	_____	_____
If the engagement involves the evaluation of whether assertions have been prepared in conformity with specified criteria that have been agreed upon by the asserter and the user, does the practitioner's report—					
State that the report is intended solely for the use of the parties who have agreed upon the criteria? (AT Sec. 100.69 and .70)	AT103	_____	_____	_____	_____
Indicate, if applicable, that the presentation of assertions differs materially from that which would have been presented if criteria for the presentation of such assertions for general distribution had been followed in its preparation? (AT Sec. 100.55)	AT104	_____	_____	_____	_____
If a written presentation of assertions that is the responsibility of the asserter does not accompany the practitioner's report, does the introductory paragraph refer to the assertion included in management's representation letter and has the report been restricted to those responsible for the assertions and those who specify the assertions to be made? (AT Secs. 100.46, 400.44, 500.56, and .57)	AT105	_____	_____	_____	_____
Is appropriate modification made to the standard report in the circumstances described under professional standards? (AT Secs. 100.53, 300.14, 400.50, and 500.61-.69)	AT106	_____	_____	_____	_____
Examination Reports—Internal Control					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on an examination of written assertions contain the following elements:					
A title that includes the word independent (AT Sec. 400.45a)	AT107	_____	_____	_____	_____
An identification of management's assertion about the effectiveness of the entity's internal control over financial reporting? (AT Sec. 400.45b)	AT108	_____	_____	_____	_____
A reference to the attestation standards established by the AICPA and that the procedures included obtaining an understanding of					

* The N/A column should be used when the item either does not exist or is not material.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing other procedures considered necessary? (AT Sec. 400.45c)	AT109	_____	_____	_____	_____
A statement that the examination provides a reasonable basis for the practitioner's opinion? (AT Sec. 400.45c)	AT110	_____	_____	_____	_____
A paragraph stating that because of inherent limitations of any internal control, errors or irregularities may occur and not be detected? (AT Sec. 400.45d)	AT111	_____	_____	_____	_____
A statement regarding the risk associated with projecting any evaluation of internal control to future periods? (AT Sec. 400.45d)	AT112	_____	_____	_____	_____
An opinion on whether the assertions as of the specified date are fairly stated, in all material respects, based on the control criteria? (AT Sec. 400.45e)	AT113	_____	_____	_____	_____
Examination Reports—Compliance					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on an examination of written assertions contain the following elements (AT Sec. 500.54):					
A title that includes the word independent? (AT Sec. 500.54a)	AT114	_____	_____	_____	_____
A reference to management's assertion about the entity's compliance with specified requirements and the period covered? (AT Sec. 500.54b)	AT115	_____	_____	_____	_____
A statement that compliance with management's assertion is the responsibility of the entity's management? (AT Sec. 500.54c)	AT116	_____	_____	_____	_____
A reference to the attestation standards established by the AICPA and that the procedures included examining on a test basis evidence about the entity's compliance with those requirements and performing other procedures the practitioner considered necessary? (AT Sec. 500.54d)	AT117	_____	_____	_____	_____
A statement that the examination provides a reasonable basis for the practitioner's opinion and does not provide a legal determination on the entity's compliance? (AT Sec. 500.54d)	AT118	_____	_____	_____	_____
An opinion on whether the assertions are fairly stated, in all material respects, based on the established or stated criteria against which they are measured? (AT Secs. 100.53 and 500.54e)	AT119	_____	_____	_____	_____
Is the report dated the date of completion of examination procedures? (AT Sec. 500.60)	AT120	_____	_____	_____	_____
Review Reports—Other Written Assertions					
<input type="checkbox"/> Not applicable for the engagement					
Does the practitioner's report on a review of written assertions contain the following elements:					
A reference to the attestation standards established by the AICPA? (AT Sec. 100.47)	AT121	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
A Statement whether any information came to the practitioner's attention on the basis of the work performed that indicates that the assertions are not presented in all material respects in conformity with established or stated criteria against which they were measured? (AT Sec. 100.49 and .56)	AT122	_____	_____	_____	_____
An indication that the work performed was less in scope than an examination? (AT Sec. 100.57a)	AT123	_____	_____	_____	_____
A disclaim a positive opinion on the assertions? (AT Sec. 100.57b)	AT124	_____	_____	_____	_____
Is the report dated the date of completion of the inquiry and analytical procedures? (AR Sec. 100.33)	AT125	_____	_____	_____	_____
Reports—Pro Forma Financial Information					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for reporting on an examination or review of pro forma financial information: (AT Sec. 300.07)	AT126	_____	_____	_____	_____
The document containing the pro forma financial statements include complete historical financial statements of the entity for the most recent year or period available? (AT Sec. 300.07a)	AT127	_____	_____	_____	_____
The historical financial statements of the entity on which the pro forma financial statements are based was audited or reviewed? (AT Sec. 300.07b)	AT128	_____	_____	_____	_____
The level of assurance given by the accountant on the pro forma financial information is limited to the level of assurance provided on the historical financial statements? (AT Sec. 300.07b)	AT129	_____	_____	_____	_____
The practitioner has an appropriate level of knowledge of the accounting and financial reporting practices of the entity? (AT Sec. 300.07c)	AT130	_____	_____	_____	_____
Does the practitioner's report on pro forma financial information include: (AT Sec. 300.12)					
An identification of the pro forma financial information? (AT Sec. 300.12a)	AT131	_____	_____	_____	_____
A reference to the applicable historical financial statements and a statement as to whether such financial statements were audited or reviewed and whether the report issued was modified? (AT Sec. 300.12b)	AT132	_____	_____	_____	_____
A statement that the engagement was in accordance with the attestation standards established by the AICPA? (AT Sec. 300.12c)	AT133	_____	_____	_____	_____
A separate paragraph explaining the objective of pro forma financial information and its limitations? (AT Sec. 300.12d)	AT134	_____	_____	_____	_____
In a review of pro forma information, a conclusion as to whether any information came to the practitioner's attention to cause the practitioner to believe that the assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the transaction or event, whether the related adjustment do not give appropriate effect to those assumptions, and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements? (AT Sec. 300.12e)	AT135	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
In an examination of pro forma information, an opinion as to whether the assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction or event, whether the adjustments give appropriate effect to those assumptions, and whether the pro forma column reflects the proper application of those adjustments? (AT Sec. 300.12e)	AT136	_____	_____	_____	_____
The disclosure of any restrictions on the scope of the engagement, significant uncertainties about the assumptions or other reservations that would require the practitioner to modify the report? (AT Sec. 300.14)	AT137	_____	_____	_____	_____
Was the date of the completion of the examination or review procedures used as the date of the report? (AT Sec. 300.11)	AT138	_____	_____	_____	_____
Presentation—Pro Forma Information					
<input type="checkbox"/> Not applicable for the engagement					
Is the pro forma information appropriately labeled to distinguish it from historical financial information? (AT Sec. 300.06)	AT139	_____	_____	_____	_____
Is the event or transaction that is reflected in the pro forma financial information, the source of the historical financial information on which it is based, the significant assumptions used in developing the pro forma adjustments and any significant uncertainties about those assumptions described? (AT Sec. 300.06)	AT140	_____	_____	_____	_____
Is there a caveat that the pro forma financial information should be read in conjunction with the related historical financial information and that the pro forma financial information is not necessarily indicative of the results that would have been attained if the transaction or event had actually taken place earlier? (AT Sec. 300.06)	AT141	_____	_____	_____	_____

II. GENERAL ATTEST PROCEDURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Were the following conditions met for performing an attestation engagement:					
The assertions were capable of evaluation against reasonable criteria? (AT Secs. 100.11 and 500.11)	AT201	_____	_____	_____	_____
The assertions were capable of reasonably consistent estimation or measurement using the reasonable criteria? (AT Sec. 100.11)	AT202	_____	_____	_____	_____
Were the following considered in planning the engagement:					
The presentation criteria to be used? (AT Sec. 100.31)	AT203	_____	_____	_____	_____
The anticipated level of attestation risk related to the assertions on which the practitioner was to report? (AT Sec. 100.31)	AT204	_____	_____	_____	_____
Preliminary judgments about materiality levels for attest purposes? (AT Sec. 100.31)	AT205	_____	_____	_____	_____
The items within the presentation of assertions that were likely to require revision or adjustment? (AT Sec. 100.31)	AT206	_____	_____	_____	_____
Conditions that might have required extension or modification of attest procedures? (AT Sec. 100.31)	AT207	_____	_____	_____	_____
The nature of the report expected to be issued? (AT Sec. 100.31)	AT208	_____	_____	_____	_____
Whether to evaluate and test the internal controls over the assertion when selecting and applying the procedures to accumulate sufficient evidence? (AT Sec. 100.37 and .82)	AT209	_____	_____	_____	_____
If omission or misstatement of individual assertions were found, did the practitioner assess their materiality? (AT Sec. 100.50)	AT210	_____	_____	_____	_____
Did the practitioner establish an understanding with the client regarding the services to be performed? (SSAE No. 7)	AT211	_____	_____	_____	_____
Examination Procedures—Internal Control Over Financial Reporting					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for performing an examination (AT Sec. 400.10)—					
Management evaluated and accepted responsibility for the effectiveness of the entity's internal control?	AT212	_____	_____	_____	_____
There was sufficient evidence to support management's evaluation?	AT213	_____	_____	_____	_____
The written assertions about the effectiveness of the entity's internal control was made in a representation letter for restricted use, or in a separate report if the practitioner's report is for general use? (AT Sec. 400.03)	AT214	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
In planning the attest engagement to examine management's assertion about the overall effectiveness of internal control, did the practitioner properly consider:					
The appropriate factors in developing the overall strategy for the scope and performance of the engagement? (AT Sec. 400.17)	AT215	_____	_____	_____	_____
For entities with multiple locations, the appropriate factors in the selection of the locations tested? (AT Sec. 400.18)	AT216	_____	_____	_____	_____
Whether there is an internal audit function? (AU Sec. 322 and AT Sec. 400.19)	AT217	_____	_____	_____	_____
Did the practitioner:					
Obtain an understanding of the internal control? (AT Sec. 400.21)	AT218	_____	_____	_____	_____
Evaluate the design effectiveness of the internal controls by obtaining an understanding of the controls within each component of internal control? (AT Sec. 400.22-.25)	AT219	_____	_____	_____	_____
Test and evaluate the operating effectiveness of the controls by performing tests of relevant controls to obtain sufficient evidence to support the opinion in the report? (AT Sec. 400.26-.32)	AT220	_____	_____	_____	_____
Consider all evidence obtained in concluding on whether management's assertions regarding the effectiveness of the entity's internal controls is fairly stated, in all material respects, based on the control criteria? (AT Sec. 400.33)	AT221	_____	_____	_____	_____
Communicate reportable conditions to management and identify those reportable conditions that were also considered to be material weaknesses? (AU Sec. 325 and AT Sec. 400.40)	AT222	_____	_____	_____	_____
Comply with the requirement not to issue a written representation stating no reportable conditions were noted during an examination? (AT Sec. 400.40)	AT223	_____	_____	_____	_____
Did the practitioner obtain written timely and appropriate representations from management and was the representation letter properly dated? (AT Sec. 400.42)	AT224	_____	_____	_____	_____
Did the practitioner develop and perform sufficient procedures to limit attestation risk to an appropriately low level? (AT Sec. 100.39)	AT225	_____	_____	_____	_____
Examination Procedures—Compliance					
<input type="checkbox"/> Not applicable for the engagement					
Were the following conditions met for performing an examination—					
Management evaluated and accepted responsibility for the compliance with specified requirements and the effectiveness of the entity's internal control over compliance? (AT Sec. 500.09)	AT226	_____	_____	_____	_____
Management made an assertion about the entity's compliance with specified requirements? (AT Sec. 500.11a)	AT227	_____	_____	_____	_____
There was sufficient evidence to support management's evaluation? (AT Sec. 500.11c)	AT228	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The written assertions were made in a representation letter, and in a separate report if the practitioner's report is for general use? (AT Sec. 500.11a)	AT229	_____	_____	_____	_____
The assertions were specific so that the same or similar measurement and disclosure criteria would lead to similar conclusions? (AT Sec. 500.13)	AT230	_____	_____	_____	_____
Did the practitioner obtain an understanding of the compliance requirements specified in the assertions about compliance? (AT Sec. 500.39)	AT231	_____	_____	_____	_____
Did the practitioner obtain an understanding of the relevant portions of internal control? (AT Sec. 500.44)	AT232	_____	_____	_____	_____
If the practitioner identified significant deficiencies in the internal control over compliance were they communicated as a reportable condition? (AT Sec. 500.46)	AT233	_____	_____	_____	_____
Did the practitioner develop and perform sufficient procedures to limit attestation risk to an appropriately low level? (AT Sec. 100.39 and AT Sec. 500.47)	AT234	_____	_____	_____	_____
Did the practitioner perform appropriate procedures regarding events subsequent to the end of the period addressed by the assertions and prior to the date of the report? (AT Sec. 500.49)	AT235	_____	_____	_____	_____
Did the practitioner consider the following in planning engagement:					
The components to be tested when the entity has operations in several components? (AT Sec. 500.41)	AT236	_____	_____	_____	_____
Performance and reporting guidance in accordance with professional standards if the work of a specialist was used? (AT Sec. 500.42 and AU Sec. 336)	AT237	_____	_____	_____	_____
The work of internal auditors in accordance with professional standards? (AT Sec. 500.43 and AU Sec. 322)	AT238	_____	_____	_____	_____
Did the practitioner obtain a representation letter from management? (AT Sec. 500.70)	AT239	_____	_____	_____	_____
Review Procedures—Other Written Assertions					
<input type="checkbox"/> Not applicable for the engagement					
Did the practitioner develop and perform sufficient procedures (generally limited to inquires and analytical review) to limit attestation risk to a moderate level? (AT Sec. 100.40 and .51)	AT240	_____	_____	_____	_____
If inquiry and analytical procedures could not be performed, were other procedures performed that could provide the practitioner with a level of assurance equivalent to that which inquiry and analytical procedures would have provided? (AT Sec. 100.41)	AT241	_____	_____	_____	_____
If inquiry and analytical procedures were deemed less efficient than other procedures, was the option selected to perform other procedures that would be more efficient to provide the practitioner with a level of assurance equivalent to that which inquiry and analytical procedures would provide? (AT Sec. 100.41)	AT242	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
If inquiry and analytical procedures yielded evidence indicating that the assertion may be incomplete or inaccurate, were additional procedures performed by the practitioner? (AT Sec. 100.41)	AT243	_____	_____	_____	_____
Procedures—Pro Forma Financial Information					
<input type="checkbox"/> Not applicable for the engagement					
Were the computations of pro forma adjustments and the pro forma columns mathematically correct? (AT Sec. 300.10)	AT244	_____	_____	_____	_____
Are pro forma adjustments: (AT Sec. 300.10)					
Appropriately described?	AT245	_____	_____	_____	_____
Included for all significant effects directly attributable to the transaction or event?	AT246	_____	_____	_____	_____
Consistent with each other and with the data used to develop them?	AT247	_____	_____	_____	_____
Are management's assumptions presented in a sufficiently clear and comprehensive manner? (AT Sec. 300.10)	AT248	_____	_____	_____	_____
Did the practitioner obtain appropriate representations from management regarding the pro forma adjustments and assumptions? (AT Sec. 300.10)	AT249	_____	_____	_____	_____

III. WORKING PAPERS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Do the working papers indicate that—					
The work was adequately planned and supervised although the quantity, type, and content of working papers will vary with the circumstances? (AT Sec. 100.71)	AT301	_____	_____	_____	_____
Evidential matter was obtained to provide a reasonable basis for the conclusions expressed in the practitioner's report? (AT Sec. 100.71)	AT302	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

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IV. FUNCTIONAL AREAS*

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No**</u>	<u>Ref.</u>
Independence, Integrity, and Objectivity (QC Sec. 20.09 and .10)					
If anything has been noted that may indicate a lack of independence, integrity, and objectivity, was the matter identified and appropriately resolved by the firm and its effects appropriately considered? (ET Sec. 101 and AT Sec. 100.22)	AT401	_____	_____	_____	_____
Have personnel been appropriately advised of the need to observe independence, integrity, and objectivity requirements concerning the client and any related nonclient parent, investor, investee, subsidiary, or affiliate?	AT402	_____	_____	_____	_____
Was appropriate assurance of independence obtained from other firms engaged to perform a portion of the attest service?	AT403	_____	_____	_____	_____
Were the fees (billed/unbilled) for prior years' services paid prior to issuance of the report for the current engagement? (ET Sec. 191.103 and .104)	AT404	_____	_____	_____	_____
For SEC clients, if the fees (billed/unbilled) for prior years' services were not paid prior to the commencement of the current engagement, were the SEC's rules for unpaid professional fees adhered to?	AT405	_____	_____	_____	_____
Personnel Management (QC Sec. 20.11-13)					
Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	AT406	_____	_____	_____	_____
Does it appear engagement personnel possessed an appropriate mix of experience or expertise and technical training in relation to the complexity or other requirements of the engagement and the involvement of supervisory personnel?	AT407	_____	_____	_____	_____
Did the personnel assigned to this engagement appear to be familiar with the applicable professional pronouncements (FASB, GASB, AICPA, SEC, etc.)?	AT408	_____	_____	_____	_____
If required by firm policy, was the staff on this engagement appropriate?	AT409	_____	_____	_____	_____
Acceptance and Continuance of Clients and Engagements (QC Sec. 20.14-16)					
Does it appear that the firm's guidelines for acceptance and continuance of client relationships, including performing specific engagements for the client, were complied with?	AT410	_____	_____	_____	_____
Did the firm establish an understanding with the client regarding the service to be provided?	AT411	_____	_____	_____	_____

* The AICPA's *Guide for Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* provides guidance on how to develop and implement a system of quality control for a firm's accounting and auditing practice in compliance with the requirements of Statements on Quality Control Standards Nos. 2, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* (QC Sec. 20), and 3, *Monitoring a CPA Firm's Accounting and Auditing Practice* (QC Sec. 30).

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Engagement Performance (QC Sec. 20.17–.19)					
Were appropriate and knowledgeable engagement and supervisory personnel involved in the planning process?	AT412	_____	_____	_____	_____
Does it appear that planning was adequately documented in the working papers, including any changes in the original plan?	AT413	_____	_____	_____	_____
Did the owner (or manager) approve the overall plan as the final planning step and convey approval or modifications to the engagement staff?	AT414	_____	_____	_____	_____
Does it appear that hours charged by the owner and manager were adequate and appropriately timed to provide for planning and supervision as the job progressed?	AT415	_____	_____	_____	_____
Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement:					
Planning checklist?	AT416	_____	_____	_____	_____
Work program?	AT417	_____	_____	_____	_____
Working paper and written assertion reviews?	AT418	_____	_____	_____	_____
If standardized forms, etc., were not used for any of the above areas, is there adequate documentation of these areas?	AT419	_____	_____	_____	_____
Were the firm's guidelines for the form and content of working papers complied with?	AT420	_____	_____	_____	_____
If required by firm policy, was an appropriate pre-issuance review made of the working papers, report, and written assertions by a person whose position in the firm is commensurate with that responsibility, to determine that the work performed was complete and conformed to professional standards and firm policy and was that review documented?	AT421	_____	_____	_____	_____
Was there appropriate consultation and documentation—					
In situations specified by firm policy?	AT422	_____	_____	_____	_____
Where the complexity or unusual nature of the issue warranted it?	AT423	_____	_____	_____	_____
Does it appear the persons consulted, if any, were aware of all relevant facts and circumstances and consulted on a timely basis?	AT424	_____	_____	_____	_____
Does it appear the persons consulted, if any, had appropriate levels of knowledge, competence, judgment, and authority?	AT425	_____	_____	_____	_____
Based on the facts and circumstances, were the firm's conclusions reasonable and consistent with professional standards?	AT426	_____	_____	_____	_____
If the engagement records indicated a difference of opinion between engagement personnel and/or a specialist or other consultant, was the difference resolved in accordance with firm policy and was the basis of the resolution appropriately documented?	AT427	_____	_____	_____	_____

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V. EXPLANATION OF "NO" ANSWERS AND OTHER COMMENTS

The following pages are provided for your comments on all "no" answers for which an MFC form was not generated or to expand upon any of the "yes" answers. All "no" answers must be thoroughly explained and reviewed with the engagement owner.

<i>Page Number</i>	<i>Question Number</i>	<i>Explanatory Comments</i>	<i>Disposition of Comments*</i>
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* The nature of the disposition of comments may vary, such as:

- Note "resolved" and the manner of resolution.
- Note "not significant" to indicate a "no" answer is appropriate, but that the manner is not significant enough to warrant the preparation of an MFC form.

VI. CONCLUSIONS

EXPLAIN BELOW THE REASONS FOR ANY "YES" ANSWERS. BE SPECIFIC.

Based on the work performed, did anything come to your attention that caused you to believe that:

The firm did not perform the engagement in all material respects in accordance with professional standards?

YES ☐ NO ☐

The written assertions were not presented in conformity with the established or stated criteria against which they were measured and the firm's report was not appropriately modified?

YES ☐ NO ☐

The firm's report was not appropriate in the circumstances?

YES ☐ NO ☐

The documentation on this engagement does not support the firm's report on the written assertions?

YES ☐ NO ☐

The firm did not comply with its policies and procedures on this engagement in all material respects?

YES ☐ NO ☐

[The next page is 22,001.]

* If this question is answered "yes," see additional guidance contained in Section 3100.51-.53 of the *Standards for Performing and Reporting on Peer Reviews* in the AICPA *Peer Review Program Manual* or Section 2000.83-.89 in the *SEC Practice Section Reference Manual*.

Section 22,010

Supplemental Checklist for Review of Banks and Savings Institutions Audit Engagements

Instructions for Use of the Supplemental Checklist for Review of Banks and Savings Institutions Audit Engagements

This supplemental checklist was developed for use by reviewers of banks and savings institutions audit engagements. It should be used in conjunction with the *General Audit Engagement Checklist* (audit checklist) and other guidance materials issued to implement the peer review program of the AICPA and the SEC Practice Section. The instructions to Sections I and III of the audit checklist should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of banks and savings institutions. All "No" answers must be thoroughly explained in Section VI of the audit checklist.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to the financial statements of banks and savings institutions. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and audit procedure issues in order to sufficiently evaluate banks and savings institutions engagements. These additional materials include the AICPA Financial Accounting and Reporting Practice Aids *Checklist and Illustrative Financial Statements for Banks and Savings Institutions* or other similarly comprehensive disclosure materials, the AICPA Audit and Accounting Guide *Banks and Savings Institutions* (July 1, 1997).

This is part of a series of supplemental checklists which the Institute has developed to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

AAGB	AICPA Audit and Accounting Guide <i>Banks and Savings Institutions</i> as of July 1, 1997
AC	Reference to section number in <i>FASB Accounting Standards Current Text</i>
AT	Reference to section number for Statement on Standards for Attestation Engagements in <i>AICPA Professional Standards</i> (vol. 1)
AU	Reference to section number for Statement on Auditing Standards in <i>AICPA Professional Standards</i> (vol. 1)
CFR	Code of Federal Regulations
EITF	Emerging Issues Task Force Consensus
ET	Code of Professional Conduct in <i>AICPA Professional Standards</i> (vol. 2)
FAS	Financial Accounting Standards Board pronouncements
FDI ACT	Federal Deposit Insurance Act
SOP	AICPA Statement of Position
SX	Securities and Exchange Commission Regulation S-X

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¹ Refer to AICPA Financial Reporting Practice Aids *Checklists and Illustrative Financial Statements for Banks and Savings Institutions* or other similarly comprehensive materials; the AICPA Audit and Accounting Guide *Banks and Savings Institutions* (see instructions on page 22,011).

² Reviewers should refer to the instructions for the applicable section included in the *General Audit Engagement Checklist*.

³ Refer to AICPA Audit and Accounting Guide *Banks and Savings Institutions* (see instructions on page 22,011).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Financial Statements and Notes					
Is the presentation appropriate and is the disclosure adequate regarding:					
Cash and Due from Banks? (AAGB, Ch. 4, pars. 4.06 and 4.08)	B101	_____	_____	_____	_____
Loans by category (AAGB, Ch. 6, par. 6.18):					
Commercial, industrial, and agricultural?	B102	_____	_____	_____	_____
Consumer?	B103	_____	_____	_____	_____
Residential real estate?	B104	_____	_____	_____	_____
Lease financing?	B105	_____	_____	_____	_____
Trade financing?	B106	_____	_____	_____	_____
Commercial real estate and construction?	B107	_____	_____	_____	_____
Foreign?	B108	_____	_____	_____	_____
Allowance for loan and credit losses? (AAGB, Ch. 6, par. 6.72)	B109	_____	_____	_____	_____
Loans on nonaccrual basis, and the effect of such loans on income? (AAGB, Ch. 7, par. 7.45)	B110	_____	_____	_____	_____
Domestic and foreign deposits (separately shown and disclosing interest or non-interest-bearing portions, amounts and maturities of certificates of deposit of \$100,000 or greater, large concentrations and related parties)? (AAGB, Ch. 4, par. 4.06)	B111	_____	_____	_____	_____
Federal fund purchases, securities sold under repurchase agreements and other short-term borrowings (presented at gross amounts)? (AAGB, Ch. 12, pars. 12.23–12.29 and 12.31)	B112	_____	_____	_____	_____
Exclusion of trust assets? (AAGB, Ch. 17, par. 17.12)	B113	_____	_____	_____	_____
Material interest-bearing deposits in other depository institutions (separately disclosed)? (AAGB, Ch. 4, par. 4.06)	B114	_____	_____	_____	_____
Are repurchase agreements presented gross, except where a right of offset exists and the conditions described in FASB Interpretation 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements, have been met? (AAGB, Ch. 12, par. 12.30)	B115	_____	_____	_____	_____
Trading assets and related futures contracts? (AAGB, Ch. 15, pars. 15.83–15.91)	B116	_____	_____	_____	_____
Mortgage loans and mortgage-backed securities held for sale? (AC, Sec. Mo4.129–.130 and AAGB, Ch. 8, pars. 8.30–8.33)	B117	_____	_____	_____	_____
Investment securities that are held to maturity or available for sale (disclosed separately) at the aggregate amortized cost, gross unrealized gains, gross unrealized losses, and fair value? (AAGB, Ch. 5, pars. 5.99–5.105)	B118	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Loan commitments and unused lines of credit for short-term financing? (AAGB, Ch. 6, pars. 6.68–6.70)	B119	_____	_____	_____	_____
Real estate acquired in settlement of loans and the related valuation allowance? (AAGB, Ch. 9, pars. 9.08–9.11)	B120	_____	_____	_____	_____
“Other” assets or liabilities that individually exceed 30 percent of stockholders’ equity (separately stated), if applicable? (Reg. S-X 9-03.10)	B121	_____	_____	_____	_____
For financial instruments with off-balance-sheet risks of accounting loss and off-balance-sheet credit risk (i.e., outstanding loan commitments written, standby and commercial letters of credit written, financial guarantees written, recourse obligations on receivables sold, etc.) have the following been disclosed (AC Sec. F25.103):					
The face or contract amount? The nature and terms of the instrument (including credit and market risk)? (AC Sec. F25.112)	B122	_____	_____	_____	_____
For instruments with off-balance-sheet credit risk; the potential loss for failure to perform completely, and policies and information regarding collateral requirements? (AC Sec. F25.113)	B123	_____	_____	_____	_____
For group concentrations of credit risk of all financial instruments; information about the shared activity, region, or other characteristics; exposure to loss for the group; policies regarding the requirement and the nature of existing collateral for the group? (AC Sec. F25.115)	B124	_____	_____	_____	_____
Has the client disclosed all significant regulatory supervisory agreements, orders or other regulatory actions? (AC Sec. C59, A.U. Sec. 341, and AAGB, Ch. 2, pars. 2.51 and 2.52)	B125	_____	_____	_____	_____
Did the engagement team consider the adequacy of disclosure of related party transactions, including (AU Sec. 334 and AC Sec. R36):					
Loans to insiders and affiliates?	B126	_____	_____	_____	_____
Fees or commissions paid to officers and directors, or their affiliates?	B127	_____	_____	_____	_____
Were financial instruments for which it is practicable to estimate a fair value disclosed (AC Sec. F25.115C):					
Fair value of the financial instrument?	B128	_____	_____	_____	_____
Method(s) and significant assumptions used to estimate the fair value?	B129	_____	_____	_____	_____
Were financial instruments for which it is not practicable to estimate a fair value disclosed (AC Sec. F25.115J):					
Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	B130	_____	_____	_____	_____
The reasons why it is not practicable to estimate fair value?	B131	_____	_____	_____	_____
If FAS No. 119 was applicable to this engagement, have the following been disclosed regarding derivative financial instruments by category of financial instrument (i.e., futures, forward, swap, option contracts, etc.)? (AC Sec. F25.115):					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the entity a) segregated the fair value of derivative financial instruments from the fair value of nonderivative financial instruments and b) not netted other derivative or nonderivative financial instruments except to the extent offsetting is permitted? (AC Sec. F25.115I)	B132	_____	_____	_____	_____
The face or contract amount? Nature and terms of the instrument (including credit and market risk)? Cash requirements of those instruments? Related accounting policy? (AC Sec. F25.115L)	B133	_____	_____	_____	_____
Purposes for which derivative financial instruments are held or issued (Trading versus Other)? (AC Sec. F25.115M)	B134	_____	_____	_____	_____
If held or issued for trading, the average fair value and related end-of-period fair value? (Net gains or losses disaggregated by class, business activity, risk, etc.)? (AC Sec. F25.115N)	B135	_____	_____	_____	_____
For purposes other than trading, a description of the objectives and strategies for reaching the objectives? Description of how each class of derivative financial instrument is reported and related policies? (AC Sec. F25.115O)	B136	_____	_____	_____	_____
Are required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? (SOP 94-6, pars. 18 and 21; TPA Sec. 10,640)	B137	_____	_____	_____	_____
If applicable, has the institution complied with the reporting provisions of the Federal Deposit Insurance Act? (FDI Act Section 36 as Implemented by 12 CFR 363):					
Has an attestation report been issued on management's assertion about the effectiveness of the institution's internal control structure over financial reporting? (12 CFR 363.3(b))	B138	_____	_____	_____	_____
Has an agreed-upon procedures attestation report been issued relative to management's assertion about the institution's compliance with designated laws and regulations? (12 CFR 363.3(b))	B139	_____	_____	_____	_____
If FAS Nos. 114 and 118 were applicable to this engagement have the following been disclosed:					
The recorded investment in impaired loans and the total allowance for credit losses related to impaired loans? (AC Sec. I08.118)	B140	_____	_____	_____	_____
The activity in the allowance for credit losses account, including the balance in the allowance for credit losses account at the beginning and end of each period, additions charged to operations, direct write-downs charged against the allowance, and recoveries of amounts previously charged off? (AC Sec. I08.118)	B141	_____	_____	_____	_____
The appropriate income recognition policies and related disclosures? (AC Sec. I08.115)	B142	_____	_____	_____	_____
For restructured loans, the impact of the multiple loan structures on the impaired loan disclosures? (EITF 96-22)	B143	_____	_____	_____	_____
Were fair value disclosures appropriately presented for debt and equity securities? (FAS No. 115)	B144	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Have the following been disclosed regarding an impairment loss for assets to be held and used:					
Description of the impaired assets, facts and circumstances leading to the impairment, including amount of loss and method of fair market value determination? (AC Sec. I08.133)	B145	_____	_____	_____	_____
Have the following been disclosed regarding (a) mortgage loans held for sale and (b) mortgage loans held for investment (Mo4.129-.134 and AAGB, Ch. 8, par. 8.33):					
Method used in determining lower or cost of market?	B146	_____	_____	_____	_____
Amounts of servicing assets or liabilities recognized and amortized during the period?	B147	_____	_____	_____	_____
Fair value of recognized servicing assets and liabilities for which it is practicable to estimate that value and the method and significant assumptions used to estimate the fair value?	B148	_____	_____	_____	_____
Risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment?	B149	_____	_____	_____	_____
Activity in any valuation allowance account?	B150	_____	_____	_____	_____
Has the institution disclosed the regulatory capital requirements as well as any noncompliance noted? (AAGB, Ch. 2, pars. 2.50 and 2.51)	B151	_____	_____	_____	_____

II. WORKING PAPER AREAS — BANKS AND SAVINGS INSTITUTIONS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
General					
<input type="checkbox"/> Not a key area					
Do the engagement planning and audit working papers consider:					
Fraud?	B301	_____	_____	_____	_____
Insider abuse?	B302	_____	_____	_____	_____
Results of inquiries?	B303	_____	_____	_____	_____
Meeting minutes?	B304	_____	_____	_____	_____
Changes in the economy and industry?	B305	_____	_____	_____	_____
Understanding of regulatory examinations and review of their findings and actions?	B306	_____	_____	_____	_____
(AU Secs. 316 and 317)	B307	_____	_____	_____	_____
Did the independent auditor consider matters affecting the industry, such as regulatory requirements, such as required capitalization? (AU Sec. 311 and AAGB, Ch. 1, pars. 1.07 and 1.13)	B308	_____	_____	_____	_____
Did the independent auditor review reports of significant examinations and related communications between examiners and the financial institution and, when appropriate, make inquiries of the examiners? (AAGB, Ch. 2, pars. 2.04 and 2.05)	B309	_____	_____	_____	_____
Did the independent auditor's evaluation of the client's ability to remain a going concern consider the effects of provisions of the FDI Act that affect the client's liquidity including limitations on:					
Acceptance of brokered deposits?	B310	_____	_____	_____	_____
The availability of borrowings through the Federal Reserve discount window?	B311	_____	_____	_____	_____
Exposure to the client posed by transactions with correspondent banks and related interbank liabilities?	B312	_____	_____	_____	_____
Was the independent auditor aware that loans from the client would be in violation of ET Sec. 101-1A? (Note to reviewer: ET Sec. 101-1A does not permit exceptions based on materiality.)	B313	_____	_____	_____	_____
Do the working papers indicate that events of noncompliance or expected noncompliance with regulatory requirements—including capital standards—were considered in the auditor's evaluation of the client's ability to continue as a going concern? (AU Sec. 341)	B314	_____	_____	_____	_____
If the client uses service bureaus for processing significant information (for example, mortgage servicing, general ledger and trial balances, loan deposit or credit card transactions or investment information), do the working papers indicate that the engagement team considered the effect on the internal control structure and the assessment of control risk? (AU Sec. 324)	B315	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Do the working papers indicate that the audit team considered the client's classification of investment securities according to the client's intent for those securities, and given any turnover in the investment portfolio? (AAGB, Ch. 5, par. 5.59)	B316	_____	_____	_____	_____
Do the working papers indicate that the practitioner considered the client's evaluation of impairments in the value of investment securities where such impairments are considered "other than temporary?" (SEC Staff Accounting Bulletin No. 59 for publicly-held depository institutions and AU Sec. 332)	B317	_____	_____	_____	_____
Was the examination engagement, relative to management's assertion about the effectiveness of the institution's internal control structure over financial reporting, conducted in accordance with Statements on Standards for Attestation Engagements?	B318	_____	_____	_____	_____
Has the firm filed with the FDIC two copies of its peer review report, letter of comments, and letter of response as well as an annual list of FDIC clients within 15 days of receiving notification that its peer review report has been accepted? (Appendix A to 12 CFR 363)	B319	_____	_____	_____	_____
If the client-auditor relationship with an FDIC insured depository institution has subsequently ceased, has a notice of termination been properly filed within 15 days with the FDIC? (Note to reviewer: This and other requirements of 12 CFR 363 generally apply to institutions with over \$500 million in assets.)	B320	_____	_____	_____	_____
Loans (AAGB, Chs. 6-8)					
<input type="checkbox"/> Not a key area					
Did the loan evaluation consider or include:					
Lending policies and procedures, including control over loan file documentation and maintenance?	B321	_____	_____	_____	_____
The qualifications of the loan officers?	B322	_____	_____	_____	_____
The effectiveness of the internal audit and loan review programs?	B323	_____	_____	_____	_____
The results of prior years' examinations and industry statistics?	B324	_____	_____	_____	_____
Loan loss experience and charge-off policy?	B325	_____	_____	_____	_____
The relative degrees of risk inherent by type of loan: considering, for example, if loans are unsecured, associated with depressed areas or industries, highly concentrated and exposed to political, geographic or economic risks?	B326	_____	_____	_____	_____
Participations purchased or sold?	B327	_____	_____	_____	_____
Consider current collateral values?	B328	_____	_____	_____	_____
Classification of loans as substandard, doubtful, or loss?	B329	_____	_____	_____	_____
Application of cash payments from troubled loans?	B330	_____	_____	_____	_____
Related party transactions?	B331	_____	_____	_____	_____
The extent to which loan renewals and extensions are used to maintain loans on a current basis?	B332	_____	_____	_____	_____
Appraisals obtained on foreclosed real estate, including the qualifications, independence and findings of the appraisers?	B333	_____	_____	_____	_____

\$22,010

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
The use of watch lists, delinquency reports and other sources of potential problems including troubled debt restructurings?	B334	_____	_____	_____	_____
Did the work include the review of individual loan files including borrowers' financial statements, evidence of collateral and cash flow information?	B335	_____	_____	_____	_____
Did the work include a determination of whether or not the entity had entered into acquisition, development or construction (ADC) arrangements and that such arrangements were appropriately accounted for? (Practice Bulletin 1 and EITF 86-21)	B336	_____	_____	_____	_____
In the loan area has the audit team given consideration to:					
Testing executed notes, loan applications, financial statements of borrowers, chattels and recording of chattels, other credit information and approvals?	B337	_____	_____	_____	_____
Providing evidence of the institution's compliance with the requirements of AC Sec. L20 (FAS No. 91)—Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, in the engagement working papers?	B338	_____	_____	_____	_____
Confirmation with customers?	B339	_____	_____	_____	_____
Proper accounting recognition of unearned income, interest income, points, recognition of acquisition and other fees and requirements of AC Sec. L20 (FAS No. 91)?	B340	_____	_____	_____	_____
Were audit procedures performed to test accrued interest receivable, unearned discount and interest income on sample groups of loans? (AAGB, Ch. 6, pars. 6.104 and 6.113)	B341	_____	_____	_____	_____
Were appropriate substantive procedures performed to test loan-related financial statement amount categories? (AAGB, Ch. 6, pars. 6.102–6.109)	B342	_____	_____	_____	_____
If negative confirmation requests were used in confirmation of cash, accounts receivable, investments, loans, deposit account balances or other assets or liabilities, do the working papers indicate that (AU Sec. 330):					
The combined assessed level of inherent and control risk is low?	B343	_____	_____	_____	_____
A large number of small balances is involved?	B344	_____	_____	_____	_____
and,					
The practitioner has no reason to believe that the recipients of the requests are unlikely to give them consideration?	B345	_____	_____	_____	_____
and,					
Did the engagement team consider performing other substantive procedures to supplement the use of negative confirmations?	B346	_____	_____	_____	_____
Related to servicing rights, do the working papers document that the engagement team evaluated management's estimates of historical and future prepayments? (AU Sec. 342 and AAGB, Ch. 8, par. 8.41)	B347	_____	_____	_____	_____
If the client has transferred receivables with recourse, did the obligations recorded under the recourse provisions include all probable credit losses? (EITF 92-2 and AC Sec. F38.167)	B348	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Was an appropriate evaluation of the adequacy of the allowance for loan losses and the selection of loans to be evaluated, documented and then performed? (AAGB, Ch. 7, par. 7.41)	B349	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of loans appear reasonable?	B350	_____	_____	_____	_____
Real Estate and Other Assets (AAGB, Chs. 9 and 10)					
<input type="checkbox"/> Not a key area					
If real estate or other assets acquired through foreclosure are significant to the client, were:					
Carrying values properly recorded, classified, and disclosed in the financial statements? (SOP 92-3)	B351	_____	_____	_____	_____
Continuing carrying values assessed?	B352	_____	_____	_____	_____
Loans restructured by the client properly recorded under the principles of AC Sec. D22?	B353	_____	_____	_____	_____
Were sales of foreclosed real estate and other assets financed by the institution tested for proper accounting treatment? (SOP 92-3 and FAS No. 66)	B354	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of real estate and other assets appear reasonable?	B355	_____	_____	_____	_____
Deposits (AAGB, Ch. 11)					
<input type="checkbox"/> Not a key area					
Were appropriate audit procedures performed to test the underlying balances of the subsidiary deposit records with the general ledger control accounts? (AAGB, Ch. 11, par. 11.41)	B356	_____	_____	_____	_____
Were deposit accounts confirmed and appropriate follow-up steps taken, including second requests and alternative procedures? (AU Sec. 330 and AAGB, Ch. 11, par. 11.42)	B357	_____	_____	_____	_____
Was accrued interest payable, interest expense and service charge income tested in connection with the audit of deposits? (AAGB, Ch. 11, par. 11.44)	B358	_____	_____	_____	_____
Were appropriate substantive procedures performed to test deposit-related financial statement amount categories? (AAGB, Ch. 11, par. 11.45)	B359	_____	_____	_____	_____
Based on the assessment of control risk, do the substantive tests of deposit accounts appear reasonable? (AU Sec. 319)	B360	_____	_____	_____	_____
Agreed-Upon Procedures (Directors' Examinations)					
<input type="checkbox"/> Not a key area					
Procedures are limited in an agreed-upon procedures examination; therefore, were the following considered:					
Clearly setting forth in the engagement letter the nature and extent of procedures?	B361	_____	_____	_____	_____
Federal and state regulations and requirements in the determination of the engagement scope?	B362	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Compliance with the provisions of the following, if the engagement consisted of performing certain agreed-upon procedures:					
AU Sec. 622 for procedures on specified elements, accounts, or items of a financial statement? (AAGB, App. A, par. A-40)	B363	_____	_____	_____	_____
AT Sec. 400 for procedures related to internal controls over financial reporting? (AAGB, App. A, par. A-39)	B364	_____	_____	_____	_____
AT Sec. 500 for procedures related to compliance with laws and regulations? (AAGB, App. A, par. A-38)	B365	_____	_____	_____	_____
AT Sec. 600 for procedures related to reporting on the subject matter of an assertion?	B366	_____	_____	_____	_____
Bank Trust Operations (AAGB, Ch. 17)					
<input type="checkbox"/> Not a key area					
Were the audit procedures directed to uncover the existence of contingent liabilities arising from trust department operations and the bank's fiduciary responsibilities?	B367	_____	_____	_____	_____

[The next page is 22,031.]

Section 22,030

Supplemental Checklist for Review of Voluntary Health and Welfare Organizations Engagements

Instructions for Use of the Supplemental Checklist for Review of Voluntary Health and Welfare Organizations Engagements

This supplemental checklist was developed for use by reviewers of **governmental** Voluntary Health and Welfare Organizations engagements. It should be used in conjunction with the *Governmental Audit Engagement Checklist* (audit checklist), *General Compilation Engagement Checklist* (compilation checklist) or the *General Review Engagement Checklist* (review checklist) and other guidance materials issued to implement the peer review program and the SEC practice section of the AICPA. The instructions to sections I and IV of the audit checklist, or sections I and III of the compilation or review checklist, should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

Reviewers of nongovernmental Voluntary Health and Welfare Organizations engagements should use the *Checklist for Review of Audit Engagements of Not-for-Profit Organizations* (audit checklist) or the *Checklist for Review of Compilation Engagements* or the *Checklist for Review of Review Engagements* and other guidance material issued to implement the peer review program and the SEC practice section of the AICPA.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in the preparation of the financial statements of Voluntary Health and Welfare Organizations. However, when completing section II, "Working Paper Areas," some questions may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed. All "No" answers must be thoroughly explained in section VI of the audit checklist or section V of the compilation checklist or section IV of the review checklist.

The reviewer should also consider the applicability of GASB Statement No. 29 (*The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*) after determining whether the not-for-profit organization is subject to government or non-government GAAP hierarchy (effective for financial statements for periods beginning after December 15, 1994).

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to Voluntary Health and Welfare Organizations. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and procedural issues in order to sufficiently evaluate voluntary health and welfare organization engagements. These additional materials include the AICPA Industry Audit Guide *Audits of Voluntary Health and Welfare Organizations*.

This is part of a series of supplemental checklists which the Institute intends to develop to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

VHW AICPA Industry Audit Guide *Audits of Voluntary Health and Welfare Organizations* (as of May 1, 1994)

**Supplemental Checklist for Review of
Voluntary Health and Welfare Organizations Engagements
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¹ Refer to the AICPA Industry Audit Guide *Audits of Voluntary Health and Welfare Organizations* (see instructions on page 22,031).

² Reviewers should refer to the instructions for the applicable section included in the *Governmental Audit Engagement Checklist* or the appropriate section of the compilation or review checklist.

I. REPORT AND FINANCIAL STATEMENTS

Financial Statements and Notes

Is the presentation appropriate and disclosure adequate for the following aspects of the engagement:

Does the balance sheet show the unrestricted fund and the various types of restricted funds that have been established to comply with donor or grantor restrictions? (VHW, Ch. 1, par. 1.14)

<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
VH101	_____	_____	_____	_____

Do the financial statements contain a statement of functional expenses in support of the total program and supporting services expenses for the period? (VHW, Ch. 1, par. 1.14)

VH102	_____	_____	_____	_____
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Is there separate disclosure of the costs for program services, management and general activities and fund-raising efforts? (VHW, Ch. 6, par. 6.03)

VH103	_____	_____	_____	_____
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Is there disclosure of the methods followed by the organization in evaluating, recording, and reporting donated services, and is the distinction made between donated services for which values have been recorded and those for which they have not been recorded? (VHW, Ch. 5, par. 5.07)

VH104	_____	_____	_____	_____
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Does the statement of functional expenses contain sufficient information to enable a reader to obtain a general understanding of the nature of the costs of carrying out the organization's activities? (VHW, Ch. 6, par. 6.17)

VH105	_____	_____	_____	_____
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Is the total support from fund-raising efforts disclosed? (VHW, Ch. 6, par. 6.13)

VH106	_____	_____	_____	_____
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Is the total cost of fund-raising activities disclosed? (VHW, Ch. 6, par. 6.13)

VH107	_____	_____	_____	_____
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* The N/A column should be used when the item either does not exist or is not material.

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II. WORKING PAPER AREAS—VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS³

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
General					
If reporting on consolidated financial statements, where one or more affiliated entities were examined by other independent auditors, was consideration given to AU Sec. 543, <i>Part of Audit Performed by Other Independent Auditors?</i> (VHW, Ch. 7, par. 7.10)					
VH301	_____	_____	_____	_____	_____
<input type="checkbox"/>					
Fund Accounting					
Were the unrestricted resources of the organization used in accordance with its bylaws and stated purposes and actions of its governing board? (VHW, Ch. 1, par. 1.15)					
VH302	_____	_____	_____	_____	_____
Were restricted gifts or grants properly segregated and used in accordance with the restrictions imposed by the donor or grantor? (VHW, Ch. 1, par. 1.15)					
VH303	_____	_____	_____	_____	_____
<input type="checkbox"/>					
Investments					
Have investment gains (or losses) been recorded in the appropriate fund? (VHW, Ch. 2, par. 2.17)					
VH304	_____	_____	_____	_____	_____
If investments are carried at market value, is the unrealized appreciation or depreciation of investments included in revenues (or other expenses) of the appropriate fund? (VHW, Ch. 2, par. 2.04)					
VH305	_____	_____	_____	_____	_____
Were restrictions made by the donor or grantor regarding investment income complied with? (VHW, Ch. 2, par. 2.17)					
VH306	_____	_____	_____	_____	_____
If investments were pooled:					
Were tests performed on the calculations in determining equity percentages of the various funds used in making additions to or distributions from the pool, and in allocating income and realized gains and losses to the participating funds? (VHW, Ch. 2, par. 2.17)					
VH307	_____	_____	_____	_____	_____
Was consideration given to any legal instruments that prescribe the nature of the investment policy to be followed, or that restrict or prevent the assets of certain funds from being pooled for investment purposes? (VHW, Ch. 2, par. 2.17)					
VH308	_____	_____	_____	_____	_____
<input type="checkbox"/>					
Land, Building and Equipment					
Are fixed assets recorded in a separate land, buildings and equipment fund? (VHW, Ch. 3, par. 3.01)					
VH309	_____	_____	_____	_____	_____

³ Some questions in this section may not apply to compilation and review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Were donated fixed assets recorded at their fair value at the date of the gift? (VHW, Ch. 3, par. 3.03)	VH310	_____	_____	_____	_____
Has consideration been given to restrictions placed on donated assets by the organization? (VHW, Ch. 3, par. 3.04)	VH311	_____	_____	_____	_____
<input type="checkbox"/>					
Cash Donations and Pledges					
Have procedures been performed to obtain reasonable assurance that the amounts reported as contributions are not materially misstated? (VHW, Ch. 4, par. 4.14)	VH312	_____	_____	_____	_____
Has the auditor considered whether the internal control procedures relating to voluntary contributions are appropriate in the circumstances, and are operating effectively? (VHW, Ch. 4, par. 4.15)	VH313	_____	_____	_____	_____
If the auditor was not satisfied that all contributions have been received and recorded, was the opinion on the financial statements appropriately qualified or disclaimed? (VHW, Ch. 4, par. 4.15)	VH314	_____	_____	_____	_____
Pledges receivable					
Have pledges receivable been reviewed for both age and collectibility? (VHW, Ch. 4, par. 4.16)	VH315	_____	_____	_____	_____
Was an allowance for uncollectible pledges considered? (VHW, Ch. 4, par. 4.16)	VH316	_____	_____	_____	_____
Were pledges confirmed? (VHW, Ch. 4, par. 4.16)	VH317	_____	_____	_____	_____
<input type="checkbox"/>					
Donated Material					
Was the basis of valuation of donated material reviewed? (VHW, Ch. 5, par. 5.10)	VH318	_____	_____	_____	_____
Was a comparison of contributions and expenditures of materials made with the budget or with prior years? (VHW, Ch. 5, par. 5.10)	VH319	_____	_____	_____	_____
If significant donated materials are received from relatively few sources, was consideration given to confirming with the donors? (VHW, Ch. 5, par. 5.10)	VH320	_____	_____	_____	_____
<input type="checkbox"/>					
Donated Services					
Was a review on a test basis of the time records or other evidence performed? (VHW, Ch. 5, par. 5.12)	VH321	_____	_____	_____	_____
Was a reasonableness test performed on the valuation of such services in relation to the local labor market? (VHW, Ch. 5, par. 5.12)	VH322	_____	_____	_____	_____
<input type="checkbox"/>					
Program and Supporting Services					
Were expenditures tested (or was the system evaluated) to determine whether all expenditures are recorded in the proper period and program? (VHW, Ch. 6, par. 6.21)	VH323	_____	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the method of allocating expenses by function been reviewed for reasonableness? (VHW, Ch. 6, par. 6.21)	VH324	_____	_____	_____	_____

[The next page is 22,041.]

Section 22,040

Supplemental Checklist for Review of Construction Contractor Engagements

Instructions for Use of the Supplemental Checklist for Review of Construction Contractor Engagements

This supplemental checklist was developed for use by reviewers of construction contractor engagements. It should be used in conjunction with the *General Audit Engagement Checklist* (audit checklist) or, where appropriate, the *General Compilation Engagement Checklist* (compilation checklist) or the *General Review Engagement Checklist* (review checklist) and other guidance materials issued to implement the peer review program. The instructions to sections I and III of the audit checklist, or sections I and III of the compilation or review checklist, should be used when completing the applicable sections of this supplement. Questions regarding these instructions, or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in an audit, review, or compilation of the financial statements of construction contractors. However, when completing section II, "Working Paper Areas", some questions may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed. All "No" answers must be thoroughly explained in Section VI of the audit checklist or Section V of the compilation checklist, or Section IV of the review checklist.

This checklist is not intended to be an all-inclusive document containing all disclosures and audit procedures related to construction contractors. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure, and procedural issues in order to sufficiently evaluate construction contractor engagements. These additional materials include the AICPA Financial Reporting Practice Aid *Checklist Supplement and Illustrative Financial Statements for Construction Contractors*, or other similarly comprehensive disclosure materials, and the AICPA Audit and Accounting Guide *Construction Contractors*.

This is part of a series of supplemental checklists which the Institute is developing to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

CC	AICPA Audit and Accounting Guide <i>Construction Contractors</i> (as of May 1, 1997)
SOP	AICPA Statement of Position
TPA	Technical Practice Aid

Supplemental Checklist for Review of Construction Contractor Engagements

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II. Working Paper Areas—Construction Contractors ³ (Supplement to Section III of the <i>General Audit Engagement Checklist</i>) ²	
Contract Costs, Revenues and Income	22,046
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¹ Refer to—the AICPA Financial Reporting Practice Aid *Checklist Supplement and Illustrative Financial Statements for Construction Contractors*, or other similarly comprehensive materials, and the AICPA Audit and Accounting Guide *Construction Contractors* (see instructions on page 22,041).

² Reviewers should refer to the instructions for the applicable section included in the *General Audit Engagement Checklist* or the appropriate section of the compilation or review checklist.

³ Refer to—the AICPA Audit and Accounting Guide *Construction Contractors* and AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (see instructions on page 22,041).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Financial Statements and Notes					
Is the presentation appropriate and is the disclosure adequate regarding the following:					
General					
The method of measuring extent of progress toward completion of contracts when the percentage-of-completion method is used? (SOP 81-1, par. 45)	CN101	_____	_____	_____	_____
The reasons for selecting the completed-contract method if that method is used? (CC, Ch. 6, par. 6.21c, 2)	CN102	_____	_____	_____	_____
The specific criteria used to determine when a contract is substantially complete when the completed-contract method is used? (SOP 81-1, par. 52)	CN103	_____	_____	_____	_____
Policies relating to combining and segmenting contracts, if applicable? (SOP 81-1, pars. 39-42)	CN104	_____	_____	_____	_____
Method of reporting affiliated entities? (CC, Ch. 6, par. 6.21a)	CN105	_____	_____	_____	_____
The range of contract durations if the operating cycle exceeds one year? (CC, Ch. 6, par. 6.21b)	CN106	_____	_____	_____	_____
Method of reporting joint venture investments along with other joint venture disclosures? (CC, Ch. 6, par. 6.21d)	CN107	_____	_____	_____	_____
Unapproved change orders, claims, or similar items subject to uncertainty concerning their determination or ultimate realization (CC, Ch. 6, par. 6.21e, 1):					
The aggregate amount included in contract costs?	CN108	_____	_____	_____	_____
A description of the nature and status of the principal items comprising such aggregate amounts?	CN109	_____	_____	_____	_____
The basis on which such items are recorded?	CN110	_____	_____	_____	_____
The policy of deferral and the amounts involved for costs deferred either in anticipation of future sales (precontract costs) or as a result of an unapproved change order? (CC, Ch. 6, par. 6.21f)	CN111	_____	_____	_____	_____
The amount of progress payments netted against contract costs at the date of the balance sheet? (CC, Ch. 6, par. 6.21e, 2)	CN112	_____	_____	_____	_____
The effect of significant revisions of estimates where the effect is material? (SOP 81-1, par. 84)	CN113	_____	_____	_____	_____
If the contractor elects to present backlog information, does it appear reasonable? (CC, Ch. 6, par. 6.23)	CN114	_____	_____	_____	_____
If the contractor elects to present supplemental information accompanying the basic financial statements such as contracts in progress and/or completed contracts, does it appear reasonable? (CC, Appendix G)	CN115	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Consideration of any state statutes and government prequalification reporting requirements affecting construction contractors? (CC, Ch. 11, pars. 11.14 and 11.15)	CN116	_____	_____	_____	_____
Provision for losses on a contract where it is material in amount, or unusual or infrequent in nature. Are such losses shown separately as a component of cost included in the computation of gross profit? (SOP 81-1, par. 88)	CN117	_____	_____	_____	_____
Balance Sheet					
Was a classified balance sheet properly considered and, if so, were the appropriate contract-related items correctly classified? (CC, Ch. 6, pars. 6.01-6.28)	CN118	_____	_____	_____	_____
Was information on revenue and costs arising from claims disclosed as a contingent asset? (SOP 81-1, pars. 65-67)	CN119	_____	_____	_____	_____
For unapproved change orders, claims, or similar items subject to uncertainty concerning their determination or ultimate realization whether billed or unbilled (CC, Ch. 6, par. 6.24):					
The amount included in receivables?	CN120	_____	_____	_____	_____
A description of the nature and status of the principal items comprising such amounts?	CN121	_____	_____	_____	_____
Amounts expected to be collected after one year?	CN122	_____	_____	_____	_____
Has disclosure been made of the prerequisites for billings, of amounts representing the recognized sales value of performance under contracts in which the amounts had not been billed and were not billable to customers at the balance-sheet date, including amounts to be collected after one year? (CC, Ch. 6, par. 6.25)	CN123	_____	_____	_____	_____
If receivables include amounts maturing after one year, has the following been disclosed (CC, Ch. 6, par. 6.27):					
The amount maturing after one year and, if practicable, the amounts maturing in each year?	CN124	_____	_____	_____	_____
Interest rates on major receivable items, or on classes of receivables maturing after one year, or an indication of the average interest rate or the range of rates on all receivables?	CN125	_____	_____	_____	_____
Are amounts billed but not paid by customers under retainage provisions in contracts included in receivables properly classified? (CC, Ch. 6, par. 6.28)	CN126	_____	_____	_____	_____
If costs and estimated earnings exceed billings in some contracts, and billings exceed costs and estimated earnings on others, are the contracts segregated so that figures on the asset side include only those on which costs and estimated earnings exceed billings, and those on the liability side include only those on which billings exceed costs and estimated earnings? (CC, Ch. 6, par. 6.18)	CN127	_____	_____	_____	_____
Are billings and related costs and estimated earnings presented separately either by short extension of the amounts on the balance sheet or in the notes to the financial statements? (CC, Ch. 6, par. 6.18)	CN128	_____	_____	_____	_____

Are billings in excess of costs and estimated earnings classified as a current liability, except to the extent billings exceed total estimated costs at completion of the contract plus contract profits earned to date, in which case are they classified as deferred income? (CC, Ch. 6, par. 6.13)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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CN129	_____	_____	_____	_____
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\$22,040

II. WORKING PAPER AREAS—CONSTRUCTION CONTRACTORS⁴

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
Contract Costs, Revenues, and Income					
Is each contract a profit center for revenue recognition, cost accumulation, and income measurement, or are contracts properly combined or segmented? (SOP 81-1, pars. 34–42)					
	CN301	_____	_____	_____	_____
When accounting for contract costs and revenues, have the appropriate procedures been performed regarding (SOP 81-1, pars. 68–81; CC, Ch. 10, pars. 10.29–10.49):					
Proper accounting recognition of accumulated contract costs?	CN302	_____	_____	_____	_____
Back charges?	CN303	_____	_____	_____	_____
Estimated costs to complete?	CN304	_____	_____	_____	_____
Proper evaluation of the acceptability of the method of income recognition?	CN305	_____	_____	_____	_____
Reasonableness of the amount and timing of income recognized?	CN306	_____	_____	_____	_____
Did the work include examining a representative sample of the contractor's outstanding contracts and evaluating the contractor's internal accounting control? (CC, Ch. 9, pars. 9.03–9.14)					
	CN307	_____	_____	_____	_____
<input type="checkbox"/>					
Contracts Receivable					
Did the contracts receivable evaluation consider or include (CC, Ch. 10, par. 10.07):					
Unbilled receivables?	CN308	_____	_____	_____	_____
Retentions?	CN309	_____	_____	_____	_____
Unapproved change orders, extras, and claims?	CN310	_____	_____	_____	_____
Contract scope changes?	CN311	_____	_____	_____	_____
Contract guarantees and cancellation or postponement provisions?	CN312	_____	_____	_____	_____
Collectibility?	CN313	_____	_____	_____	_____
<input type="checkbox"/>					
Other					
Was an appropriate evaluation of the provision for anticipated losses on contracts made? (SOP 81-1, pars. 85–89)					
	CN314	_____	_____	_____	_____
Did the work include an analysis of gross profit margins? (CC, Ch. 10, pars. 10.54 and 10.55)					
	CN315	_____	_____	_____	_____

⁴ Some questions in this section may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed.

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the proper accounting recognition for change orders and claims been followed? (SOP 81-1, pars. 61-63, 65-67)	CN316	_____	_____	_____	_____
Has the proper accounting recognition for investments in construction joint ventures been followed? (CC, Ch. 3, pars. 3.01-3.27)	CN317	_____	_____	_____	_____
Have revisions, if any, in revenue, cost or profit estimates been properly accounted for? (SOP 81-1, pars. 82 and 83)	CN318	_____	_____	_____	_____
Is the distinction between long-term and short-term construction contracts appropriate? (TPA 6700.01)	CN319	_____	_____	_____	_____

[The next page is 22,061.]

Section 22,060

Supplemental Checklist for Review of Common Interest Realty Associations

Instructions for Use of the Supplemental Checklist for Review of Common Interest Realty Associations

This supplemental checklist was developed for use by reviewers of Common Interest Realty Associations (CIRAs) audit engagements.¹ It should be used in conjunction with either the *Not-for-Profit Audit Engagement Checklist* or, if the entity does not use fund reporting, the *General Audit Engagement Checklist* (audit checklists) and other guidance materials issued to implement the peer review program. The instructions to Sections I and III of the audit checklists should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the examination of financial statements of CIRAs.¹ It is not intended to be an all-inclusive document containing all disclosure and audit procedures related to CIRAs. It is a summarization of commonly addressed key areas and related concepts or procedures. All "No" answers must be thoroughly explained in Section VI of the audit checklists.

This is part of a series of supplemental checklists which the Institute intends to develop to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

AU	References to section number in <i>AICPA Professional Standards</i> (vol. 1)
CIRA	AICPA Audit and Accounting Guide <i>Common Interest Realty Associations</i> (as of May 1, 1997)
SOP	AICPA Statement of Position

¹ Reviewers of CIRA review and compilation engagements may find Section I of this supplemental checklist useful in addition to the *General Compilation Engagement Checklist*, and the *General Review Checklist*. Reviewers should also refer to Chapter 8 on Review and Compilation Engagements in the AICPA Audit and Accounting Guide *Common Interest Realty Associations* and SOP 93-5 *Reporting on Required Supplementary Information Accompanying Compiled or Reviewed Financial Statements of Common Interest Realty Associations*.

Supplemental Checklist for Review of Common Interest Realty Associations Audit Engagements

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¹ Reviewers of CIRA review and compilation engagements may find Section I of this supplemental checklist useful in addition to the *General Compilation Engagement Checklist*, and the *General Review Checklist*. Reviewers should also refer to Chapter 8 on Review and Compilation Engagements in the AICPA Audit and Accounting Guide *Common Interest Realty Associations* and SOP 93-5 *Reporting on Required Supplementary Information Accompanying Compiled or Reviewed Financial Statements of Common Interest Realty Associations*.

² Reviewers should refer to the instructions for the applicable section included in the *Not-for-Profit Audit Engagement Checklist* or the *General Audit Engagement Checklist*.

³ Refer to the AICPA Audit and Accounting Guide *Common Interest Realty Associations* (see instructions on page 22,061).

I. REPORT AND FINANCIAL STATEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
Auditor's Report					
Does the audit report disclaim an opinion on required supplemental information when presented with audited financial statements in auditor-submitted documents, unless the auditor has been engaged to examine and express an opinion on it? (AU Sec. 551.15 and CIRA, Ch. 7, par. 7.38)	CR101	_____	_____	_____	_____
Does the audit report include an explanatory paragraph if the required supplementary information is omitted, the auditor was unable to complete certain stated procedures, the auditor is unable to remove substantial doubts about whether the supplementary information conforms to prescribed guidelines, or the auditor has concluded that the measurement or presentation of the supplementary information departs materially from prescribed guidelines? (CIRA, Ch. 7, par. 7.39)	CR102	_____	_____	_____	_____
Does the report disclaim an opinion on expired budget information accompanying the financial statements in auditor-submitted documents? (AU Sec. 551.11 and CIRA, Ch. 7, par. 7.22)	CR103	_____	_____	_____	_____
If the financial statements include budget information for prospective periods, does the report indicate the auditors' responsibilities in accordance with the Statement on Standards for Accountants' Services on Prospective Financial Information, <i>Financial Forecasts and Projections</i> ? (CIRA, Ch. 7, par. 7.22)	CR104	_____	_____	_____	_____
If the disclosure about a CIRA's funding for major repairs and replacements is absent or inadequate, did the auditor modify or consider modifying the report? (CIRA, Ch. 4, par. 4.28 and Ch. 7, pars. 7.34-7.37)	CR105	_____	_____	_____	_____
Financial Statements and Notes					
Is the presentation appropriate and are the disclosures adequate regarding:					
General					
In the CIRA's use of fund reporting, are resources for particular purposes (major repairs and replacements for CIRAs) classified into funds associated with specified activities or objectives? (CIRA, Ch. 4, par. 4.01)	CR201	_____	_____	_____	_____
Is a statement of cash flows presented when a balance sheet and a statement of revenues and expenses are presented? (CIRA, Ch. 4, par. 4.18)	CR202	_____	_____	_____	_____
If the CIRA does not use fund reporting and assesses for major repairs and replacements, is there an appropriation of retained earnings for such assessments? (CIRA, Ch. 4, fn. 6 and Ch. 9, par. 9.12)	CR203	_____	_____	_____	_____
Are periodic assessments for funding major repairs and replacements in the replacement fund presented in the periods in which they are assessed? (CIRA, Ch. 4, par. 4.13)	CR204	_____	_____	_____	_____

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	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Is the CIRA's legal form disclosed and that of the entity for which it provides services and areas it controls? (CIRA, Ch. 4, par. 4.22)	CR205	_____	_____	_____	_____
Are the number of units disclosed, including units owned by the developer? (CIRA, Ch. 4, par. 4.22)	CR206	_____	_____	_____	_____
Are services and subsidies provided by the developer disclosed? (CIRA, Ch. 4, par. 4.22)	CR207	_____	_____	_____	_____
Is the CIRA's income tax filing status disclosed and its liability for income taxes? (CIRA, Ch. 4, par. 4.22, Ch. 6, Ch. 9, pars. 9.18-9.24)	CR208	_____	_____	_____	_____
Are tax credits and carryovers disclosed, including phase-out rules in future reporting periods? (CIRA, Ch. 4, par. 4.22)	CR209	_____	_____	_____	_____
Is the proposed and actual use for funds collected in special assessments disclosed? (CIRA, Ch. 4, par. 4.22)	CR210	_____	_____	_____	_____

Future Major Repairs and Replacements
(CIRA, Ch. 4, par. 4.27)

Are the requirements to accumulate funds for future major repairs and replacements disclosed?	CR211	_____	_____	_____	_____
Is a description of the CIRA's funding policy and compliance with that policy provided?	CR212	_____	_____	_____	_____
Do the notes include a statement that funds are being accumulated based on estimated future (or current) costs, that actual expenditures may vary from these estimates, and that the variations may be material?	CR213	_____	_____	_____	_____
Do the financial statements or notes disclose the amounts assessed for major repairs and replacements in the current period?	CR214	_____	_____	_____	_____
Do the notes include a statement indicating whether a study was conducted to estimate the remaining useful lives and the costs of future major repairs and replacements?	CR215	_____	_____	_____	_____
If the CIRA's policy is to fund future major repairs and replacements by special assessments or borrowings, is there a statement disclosing such policy?	CR216	_____	_____	_____	_____

Common Property (CIRA, Ch. 2, pars. 2.12-2.14)

The accounting policy for recognition and measurement of common property?	CR217	_____	_____	_____	_____
A description of the common property capitalized in the CIRA's balance sheet?	CR218	_____	_____	_____	_____
A description of the common property to which the CIRA has title, or other evidence of ownership, that is not capitalized in the CIRA's balance sheet?	CR219	_____	_____	_____	_____
The CIRA's responsibility to preserve and maintain the common property?	CR220	_____	_____	_____	_____
Terms and conditions of existing land or recreation leases?	CR221	_____	_____	_____	_____
Restrictions on the use or disposition of common property?	CR222	_____	_____	_____	_____

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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Related Parties

Do notes include disclosures about:

Revenue from each source if 10 percent or more of revenues are derived from any one source? (CIRA, Ch. 4, par. 4.25)

CR223 _____

Services provided by board members, officers, or developers? (CIRA, Ch. 4, par. 4.24)

CR224 _____

Supplementary Information on Future Major Repairs and Replacements (CIRA, Ch. 4, par. 4.31)

Are the specific components of common property identified, and are the remaining useful lives presented?

CR225 _____

Are estimated current or future replacement costs presented?

CR226 _____

Are the methods used to determine the estimated costs described?

CR227 _____

Is the basis for the calculations disclosed, including assumptions about interest and inflation rates?

CR228 _____

Are the dates and sources of studies disclosed?

CR229 _____

Is the amount of fund balance for each component presented to the extent designated by the board?

CR230 _____

II. WORKING PAPER AREAS—CIRAs

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
General					
Did the auditor consider the effects if a managing agent provides the CIRA with bookkeeping and accounting services? (CIRA, Ch. 7, par. 7.08 and AU Sec. 324)	CR300	_____	_____	_____	_____
If the audit is for the CIRA's first period of operations, did the auditor:					
Review closing documents to evaluate the recording of initial capital contributions collected from unit owners by the developer on behalf of the CIRA? (CIRA, Ch. 7, par. 7.19)	CR301	_____	_____	_____	_____
Consider whether the developer has fulfilled its obligation to pay assessments on unsold units or to fund operating deficits? (CIRA, Ch. 7, par. 7.19)	CR302	_____	_____	_____	_____
Consider whether or not the CIRA has been paying for developer related expenses? (CIRA, Ch. 7, par. 7.19)	CR303	_____	_____	_____	_____
Determine that assets received from the developer are reported in accordance with the capitalization policy for common property? (CIRA, Ch. 7, par. 7.19)	CR304	_____	_____	_____	_____
Consider the CIRA's budgeting procedures in obtaining an understanding of the internal control structure and assessing control risk? (CIRA, Ch. 7, par. 7.21)	CR305	_____	_____	_____	_____
Did the auditor consider any special or legal reporting requirements by the state? (CIRA, Ch. 1, par. 1.11)	CR306	_____	_____	_____	_____
<input type="checkbox"/>					
Assessments (CIRA, Ch. 7, par. 7.24)					
Did the auditor compare reported assessments with budgeted amounts and test whether amounts assessed to owners were consistent with the budget?	CR307	_____	_____	_____	_____
<input type="checkbox"/>					
Investments (CIRA, Ch. 7, par. 7.26)					
Did the auditor verify that investments conform to the CIRA's legal requirements and its governing documents?	CR308	_____	_____	_____	_____
<input type="checkbox"/>					
Insurance (CIRA, Ch. 7, par. 7.28)					
Did the auditor consider whether a CIRA's insurance coverage complies with requirements of state statutes on the governing documents?	CR309	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
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□

Future Major Repairs and Replacements

Did the auditor review the CIRA's governing documents and relevant state statutes to determine whether the CIRA is required to have a funding policy for future major repairs and replacements? (CIRA, Ch. 7, par. 7.29)

CR310 _____

Did the auditor apply appropriate procedures to the required supplementary information about future major repairs and replacements? (CIRA, Ch. 7, par. 7.31)

CR311 _____

[The next page is 22,071.]

Section 22,070

Supplemental Checklist for Review of Engagements of Health Care Organizations

Instructions for Use of the Supplemental Checklist for Review of Engagements of Health Care Organizations

This supplemental checklist was developed for use by reviewers of engagements of health care organizations. It should be used in conjunction with the *Not-for-Profit Audit Engagement Checklist* or, where appropriate, the *General Audit Engagement Checklist* if the entity is a for-profit health care provider, the *Governmental Audit Engagement Checklist* for governmental health care providers, the *General Review Engagement Checklist* or *General Compilation Engagement Checklist* if applicable. In addition, the reviewer should complete Section III of the *Not-for-Profit Audit Engagement Checklist* if the entity is contractually required to submit reports prepared in accordance with OMB Circular A-133. The instructions to Sections I and IV of the audit checklist, or Sections I and III of the compilation or review checklist, should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor/accountant in the preparation of the financial statements of health care organizations. Some of the questions are example presentation and disclosures or auditing procedures contained in the AICPA Audit and Accounting Guide *Health Care Organizations* (the Guide). The Guide is effective for financial statements for periods beginning after June 15, 1996. It is not expected that all of the questions in this checklist will be applicable to every engagement. In some instances, the audit objectives described in the Guide may be accomplished by the performance of procedures not included in this checklist. Therefore, reviewers should use judgment and refer to the Guide as necessary when responding to questions. Also, Section II, "Working Paper Areas," contains questions that may not apply to compilation or review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed. All "No" answers must be thoroughly explained in Section VI of the audit checklist or Section V of the compilation checklist or Section IV of the review checklist.

The reviewer should also consider the applicability of GASB Statement No. 29 (*The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*) after determining whether the not-for-profit organization is subject to government or non-government GAAP hierarchy.

This checklist is not intended to be an all-inclusive document containing all disclosure and audit procedures related to health care organizations. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and procedural issues in order to sufficiently evaluate engagements of health care organizations. These additional materials include the Guide.

This is part of a series of supplemental checklists which the Institute develops to facilitate the reviews of engagements within specialized industries. If you have any comments concerning this supplemental checklist, please forward them to AICPA Practice Monitoring.

Explanation of References:

FAS	Statement of Financial Accounting Standards
GASB	Codification of Governmental Accounting and Financial Reporting Standards (as of June 30, 1997)
HCO	AICPA Audit and Accounting Guide <i>Health Care Organizations</i> (as of May 1, 1997)
SOP	AICPA Statement of Position

Supplemental Checklist for Review of Engagements of Health Care Organizations

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¹ Refer to the AICPA Audit and Accounting Guide *Health Care Organizations*.

² Reviewers should refer to the instructions for the applicable section included in the *Not-for-Profit Audit Engagement Checklist* or the appropriate section of the compilation or review checklist.

I. REPORT AND FINANCIAL STATEMENTS

Financial Statements and Notes

Are the presentations appropriate and disclosures adequate regarding:

Donor-imposed restrictions on investment principal and income? (HCO, Ch. 4, pars. 4.08 and 4.09)

<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
HC101	_____	_____	_____	_____

The method of revenue recognition and recording unrestricted and restricted donations and investment income of both unrestricted and restricted funds? (HCO, Ch. 10, pars. 10.07–10.10)

HC102	_____	_____	_____	_____
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Involvement in any investment pools?

HC103	_____	_____	_____	_____
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The receipt of donated property and equipment, both restricted and unrestricted? (HCO, Ch. 10, par. 10.09)

HC104	_____	_____	_____	_____
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Donated property at fair value at the date of donation? (HCO, Ch. 10, par. 10.09)

HC105	_____	_____	_____	_____
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Separately reporting property and equipment not used for health care operations? (HCO, Ch. 6, par. 6.07)

HC106	_____	_____	_____	_____
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The nature of any relationship between the entity and lessors, bailors or other owners of property? (HCO, Ch. 6, par. 6.10)

HC107	_____	_____	_____	_____
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The tax-exempt status, if applicable, and tax contingencies? (HCO, Ch. 7, par. 7.11)

HC108	_____	_____	_____	_____
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Medical malpractice insurance? (HCO, Ch. 8, pars. 8.25–8.29)

HC109	_____	_____	_____	_____
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Contracts with physicians, specialists, related parties, and others?

HC110	_____	_____	_____	_____
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The basis for accruing health care costs and significant business and contractual arrangements with hospitals, physicians, and other associated entities? (HCO, Ch. 13, par. 13.04)

HC111	_____	_____	_____	_____
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Related entities, investees and affiliates? (HCO, Ch. 11, pars. 11.05–11.18)

HC112	_____	_____	_____	_____
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Management's policy for providing charity care and the level of charity care provided? (HCO, Ch. 10, par. 10.20)

HC113	_____	_____	_____	_____
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Significant contractual arrangements with third party payors? (HCO, Ch. 5, par. 5.17)

HC114	_____	_____	_____	_____
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Pending claims, appeals or settlements regarding third-party payors? (HCO, Ch. 5, par. 5.17)

HC115	_____	_____	_____	_____
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The identification and explanation of the estimated amounts that are payable or receivable regarding contractual adjustments and third-party settlements? (HCO, Ch. 10, par. 10.19)

HC116	_____	_____	_____	_____
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* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Classification of revenue, expenses, and gains and losses? (HCO, Ch. 10, pars. 10.04, 10.18, 10.21, and 10.22)	HC117	_____	_____	_____	_____
Separately disclosing expenses by functional classification if not reported as such on the face of the financial statements? (HCO, Ch. 10, par. 10.21)	HC118	_____	_____	_____	_____
Continuing care retirement communities:					
Refundable advance fees? (HCO, Ch. 14, par. 14.22)	HC119	_____	_____	_____	_____
Fees refundable to residents only from reoccupancy proceeds of a contract holder's unit? (HCO, Ch. 14, par. 14.25)	HC120	_____	_____	_____	_____
Nonrefundable advance fees? (HCO, Ch.14, pars. 14.23 and 14.26)	HC121	_____	_____	_____	_____
Obligation to provide future services and use of facilities to current residents? (HCO, Ch. 14, par. 14.31)	HC122	_____	_____	_____	_____
Other? (HCO, Ch. 14, par. 14.35)	HC123	_____	_____	_____	_____
Managed care risk contracts?	HC124	_____	_____	_____	_____

II. WORKING PAPER AREAS—HEALTH CARE ORGANIZATIONS³

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
<input type="checkbox"/>					
Investments					
Did the auditor review board, investment committee, or other committee minutes for evidence of donated securities?	HC301	_____	_____	_____	_____
Do the working papers indicate that donated securities were properly reported at fair market value at the date of the gift and in the proper net asset category?	HC302	_____	_____	_____	_____
Did the auditor review documentation related to donor restrictions and that compliance was tested for such restrictions?	HC303	_____	_____	_____	_____
Do the working papers indicate that restricted funds are pooled only in accordance with donor, grantor, or other restrictions?	HC304	_____	_____	_____	_____
Did the auditor verify that income and gains or losses from investment pools are distributed equitably among the participating funds?	HC305	_____	_____	_____	_____
<input type="checkbox"/>					
Receivables					
Did the auditor verify that the entity has a policy to distinguish bad-debt expense from charity care? (HCO, Ch. 10, par. 10.03)	HC306	_____	_____	_____	_____
If the entity was reimbursed under the Medicare prospective payment system, did the auditor verify that regulatory denials and the costs of providing services for patient stays longer than permitted, were appropriately considered in determining contractual allowances to related receivables?	HC307	_____	_____	_____	_____
If third-party programs have provisions limiting the amounts of reimbursable costs, did the auditor consider their effect on third-party accruals? (HCO, Ch. 5, par. 5.29)	HC308	_____	_____	_____	_____
Did the auditor verify that there is appropriate information and analysis to support each significant third-party payment settlement, and collectibility? (HCO, Ch. 5, par. 5.29)	HC309	_____	_____	_____	_____
Was a determination made with respect to uncollectible accounts, including reviews of such accounts and appropriate aging by major payor? (HCO, Ch. 5, par. 5.29)	HC310	_____	_____	_____	_____
Did the auditor obtain a general understanding of the various contractual arrangements with third-party payors? (HCO, Ch. 5, par. 5.29)	HC311	_____	_____	_____	_____

³ Some questions in this section may not apply to compilation and review engagements. Care should be taken to tailor the questions to fit the level of service being reviewed.

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of the checklist if no MFC was generated noting the page number in the Ref. column.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor give consideration to changes in the reimbursement program provisions (such as limits on increases in reimbursable costs and the implementation of prospective payment systems) in the recovery of deferred debits and the realization of deferred credits recorded for reimbursement timing differences?	HC312	_____	_____	_____	_____
Did the auditor verify that receivables reported in the financial statements are at net realizable value? (HCO, Ch. 5, pars. 5.17 and 5.29)	HC313	_____	_____	_____	_____
Are interfund receivables eliminated when displaying total assets and liabilities?	HC314	_____	_____	_____	_____
Did the auditor review supporting documentation authorizing interfund loans, and assess collectibility? (HCO, Ch. 5, par. 5.29)	HC315	_____	_____	_____	_____
If the entity was reimbursed under capitation arrangements, did the auditor verify that patient accounts receivable relating to services rendered under these agreements have been eliminated and that revenue is excluded from patient service revenue, if material?	HC316	_____	_____	_____	_____
<input type="checkbox"/>					
Property and Equipment, Supplies and Other Assets					
Did the auditor verify that donated property was reported at fair market value at the date of donation? (HCO, Ch. 10, par. 10.09)	HC317	_____	_____	_____	_____
For purposes of cost reimbursement and revenue recognition, did the auditor verify that the entity received appropriate health care planning agency or other regulatory agency approvals, if required, for property and equipment additions? (HCO, Ch. 6, par. 6.14)	HC318	_____	_____	_____	_____
<input type="checkbox"/>					
Current Liabilities, Tax Considerations, and Long-Term Obligations					
Did the auditor verify that health care costs are accrued as the services are rendered, including estimates of the costs of services rendered but not yet reported? (HCO, Ch. 13, par. 13.02)	HC319	_____	_____	_____	_____
If the provider of prepaid health care services is obligated to render services to specific members beyond the premium period due to provisions in the contract or regulatory requirements, did the auditor verify that those costs were accrued currently? (HCO, Ch. 13, par. 13.02)	HC320	_____	_____	_____	_____
Did the auditor review if amounts payable to hospitals, physicians, or other health care providers under risk retention, bonus, or similar programs are accrued during the contract period? (HCO, Ch. 13, par. 13.03)	HC321	_____	_____	_____	_____
Did the auditor verify that all liabilities related to contracts with physicians, specialists, related parties and others are properly reported?	HC322	_____	_____	_____	_____

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor perform any procedures to verify that third-party advances are properly reported?	HC323	_____	_____	_____
Were deferred debits or credits that relate to third-party timing differences properly reported?	HC324	_____	_____	_____
Did the auditor verify that deferred revenue and the obligation to provide future services to, and use of facilities by, current residents of continuing care retirement communities are recognized and properly reported? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)	HC325	_____	_____	_____
Did the auditor verify that the not-for-profit entity obtained a qualifying income tax exemption from the government authority, or verify that a catholic institution is included in the Official Catholic Directory? (HCO, Ch. 7, par. 7.23)	HC326	_____	_____	_____
Was a determination made regarding possible transactions that would affect both the entity's tax status and tax liability? (HCO, Ch. 7, par. 7.23)	HC327	_____	_____	_____

☐

Commitments and Contingencies

Was a review of the amount of insurance coverage, type of coverage and deductible provisions performed to determine the level of risk that is retained by the entity? (HCO, Ch. 8, par. 8.47, Exhibit 8.1)	HC328	_____	_____	_____
Did the auditor obtain an understanding on the accuracy and completeness of the incident reporting and monitoring system? (HCO, Ch. 8, par. 8.31)	HC329	_____	_____	_____
Did the auditor send letters of inquiry to malpractice insurance carriers and legal counsel? (HCO, Ch. 8, par. 8.47)	HC330	_____	_____	_____
Did the auditor review estimates and historical loss experience? (HCO, Ch. 8, par. 8.47)	HC331	_____	_____	_____

☐

Net Assets (Equity)

Did the auditor examine documentation of contributions of assets for evidence of restrictions? (HCO, Ch. 9, par. 9.08)	HC332	_____	_____	_____
Did the auditor verify that each net asset category is in balance?	HC333	_____	_____	_____

☐

Revenue, Expenses, Gains, and Losses

Was current period revenue and expenses compared with prior period and budgets, and were any unusual variances investigated? (HCO, Ch. 10, par. 10.23)	HC334	_____	_____	_____
Did the auditor verify that revenue from health care services is reported net of contractual adjustments and other adjustments? (HCO, Ch. 10, par. 10.19)	HC335	_____	_____	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor give adequate consideration to revenue cutoff?	HC336	_____	_____	_____	_____
Did the auditor verify that unrestricted gifts, donations, and bequests were properly reported? (HCO, Ch. 10, pars. 10.07–10.10)	HC337	_____	_____	_____	_____
Did the auditor review donor correspondence (and/or board meeting minutes) to determine the presence or absence of donor restrictions?	HC338	_____	_____	_____	_____

☐

Reporting Entity and Related Organizations

Did the auditor perform procedures to ensure that the reporting entity is appropriately accounting for transactions with investees, affiliates, and other related entities? (HCO, Ch. 11, par. 11.29)

HC339 _____

☐

Continuing Care Retirement Communities

Did the auditor verify that the estimated amount of advance fees expected to be refunded to current residents under the terms of the contracts was accounted for as a liability? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)

HC340 _____

Did the auditor verify that the fees that will be paid to current residents or their designees, only to the extent of the proceeds of reoccupancy of a contract holder's unit, are accounted for as deferred revenue? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)

HC341 _____

Were nonrefundable advance fees accounted for as deferred revenue? (HCO, Ch. 14, par. 14.36, Exhibit 14.3)

HC342 _____

Was an annual calculation made regarding the obligation to provide future services and use of facilities to current residents? (HCO, Ch. 14, par. 14.29)

HC343 _____

Did the auditor verify that the costs of acquiring initial continuing-care contracts that are expected to be recovered from future contract revenues were capitalized? (HCO, Ch. 14, par. 14.33)

HC344 _____

[The next page is 22,081.]

Section 22,080

Supplemental Checklist for Review of Audits of HUD Engagements

Instructions for Use of the Supplemental Checklist for Review of Audits of HUD Engagements

This supplemental checklist was developed for use by reviewers of HUD engagements performed in accordance with the Consolidated Audit Guide for Audits of HUD Programs. It should be used in conjunction with the *Checklist for Review of Audit Engagements* (audit checklist) (Sec. 20,200), the Governmental Audit Engagement Checklist (Sec. 20,500) or the Not-for-Profit Audit Engagement Checklist (Sec. 20,600), as applicable. The instructions to sections I and III of the audit checklist should be used when completing the applicable sections of this supplement. Questions regarding these instructions or any other materials should be directed to AICPA Practice Monitoring at (201) 938-3030.

The questions in this checklist emphasize reporting matters and general procedures ordinarily performed by an independent auditor in the audit of financial statements of HUD Programs. All "No" answers must be thoroughly explained in the Section provided in the applicable audit checklist.

This checklist reflects guidance issued by HUD through August 1997 and is not intended to be an all-inclusive document containing all disclosures and audit procedures related to HUD Programs. It is a summarization of commonly addressed key areas and related concepts or procedures. Therefore, it should be used in conjunction with various reference materials dealing with reporting, disclosure and audit procedures issues in order to sufficiently evaluate HUD engagements. These additional materials include the Consolidated Audit Guide for Audits of HUD Programs IG 2000.04 Rev-2 (the HUD Audit Guide). Peer reviewers may wish to consider the guidance in SOP 92-9 *Audits of Not-for-Profit Organizations Receiving Federal Awards* for illustrations of departures/modifications from standard audit reports.

Reviewers should recognize that the 1994 Revision of Government Auditing Standards (the Yellow Book) affects the illustrative auditor's reports in the HUD July 1993 edition of its Consolidated Audit Guide for Audits of HUD Programs based on the effective date of the 1994 Revision.

Note: Use of the HUD Audit Guide is mandatory for audits of all participants in the HUD programs identified in Ch. 1, par. 1-4. In accordance with HUD regulations implementing OMB Circular A-133, effective June 30, 1997, nonprofit organizations receiving HUD assistance under any of the housing programs listed in Ch. 1, par. 1-4 are required to complete project-specific audits because each project is deemed to be a separate entity. These audits will be subjected to OMB Circular A-133 and related guidance. Audits prior to the revision of the June 1997 of the OMB Circular A-133 will remain subject to the HUD Audit Guide.

Explanation of References:

AU	<i>AICPA Professional Standards</i> (vol. 1)
CFR	Code of Federal Regulations
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	<i>Government Auditing Standards</i> (1994 Revision), United States General Accounting Office (The Yellow Book)
GNMA	Government National Mortgage Association
HUD	Handbook IG 2000.04 Rev-2—Consolidated Audit Guide for Audits of HUD Programs (1997)
OMB	The Office of Management and Budget
SOP	AICPA Statement of Position [may be found in <i>AICPA Technical Practice Aids</i> (TPA), vol. 2]
ASLGU	AICPA Audit and Accounting Guide: Audits of State and Local Governmental Units (1994 edition with conforming changes as of May 1, 1995)

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¹ Reviewers should refer to the instructions for the applicable section included in the *Checklist for Review of Audit Engagements*, *Governmental Audit Engagement Checklist*, or the *Not-for-Profit Audit Engagement Checklist*, as applicable.

I. REPORTS AND FINANCIAL STATEMENTS

General

The auditor's report on compliance should include an opinion on the auditee's compliance with specific requirements applicable to each of its major programs. The term "major programs" as defined by the Consolidated Audit Guide for Audits of HUD Programs means an individual assistance program or a group of programs in a category of Federal Financial Assistance which exceeds \$300,000 during the applicable year. A project which has an outstanding HUD-insured, guaranteed balance exceeding \$300,000 as of the reporting date shall be considered a major program. A mortgagee or loan correspondent which originates and/or services an aggregate of FHA-insured loans exceeding \$300,000 during the period under audit is considered a major program. In addition, a Government National Mortgage Association (Ginnie Mae) Issuer with a remaining principal balance exceeding \$300,000 as of the reporting date is considered a major program. (HUD, Ch. 1, par. 1-3)

Does the audit report cover clearly indicate the HUD-assisted activities and period(s) which was (were) audited? (HUD, Ch. 2, par. 2-1)

Ques. N/A* Yes No Ref.**

H101

Did the auditor include in the audit report or an accompanying transmittal letter:

A Federal Employer ID Number?

H102

Identification of the name, office address, and telephone of the Audit Partner?

H103

Does the auditor's report on the financial statements and required supplemental schedules (HUD, Ch. 2-1A and Example A):

Include reference to GAAS and to Government Auditing Standards issued by the Comptroller General of the United States? (ASLGU, Appendix A, Example A-1, fn 2, and GAO, Ch. 5, par. 5.11)

H104

Describe or make reference to separate reports that describe the scope of the auditor's testing of compliance with laws and regulations, and of internal controls, and present the results of those tests? (GAO, Ch. 5, pars. 5.15-5.17)

H105

Include a separate paragraph or a separate report on accompanying supplemental information required by HUD? (AU Secs. 551 and 558, and HUD)

H106

Do the auditor's reports use language that conforms with professional standards including reference to GAAS, Government Auditing Standards issued by the Comptroller General of the United States, and the Consolidated Audit Guide for Audits of HUD Programs (the HUD Audit Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General in August 1997? [GAO, Ch. 5, par. 5.11 and HUD, Ch. 2.]

H107

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Did the auditor promptly prepare a separate written report to the HUD District Inspector General for Audit concerning illegal acts or fraud that have occurred and include all questioned costs as the result of the acts? (HUD, Ch. 1, par. 1-5 and GAO, Ch. 5, pars. 5.21-5.25)	H108	_____	_____	_____	_____
If appropriate, was the scope section of the reports properly modified to disclose that an applicable government auditing standard was not followed, the reasons therefore, and the known effect of not following the standard on the results of the audit? (GAO, Ch. 5, par. 5.12)	H109	_____	_____	_____	_____
For some engagements more than one chapter may apply, in particular Chapters 3 and 4, with results reported in a single audit report.					

Program Specific Requirements

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A. Chapter 3, Section 8 Audit Guidance—Reporting Requirements

Did the auditor's report on Section 8 programs include the following reports and were the reports worded in accordance with professional standards (HUD Ch. 3, par. 3-4 and Ch. 2, Examples A through E as revised to conform with the 1994 Revision of the Yellow Book):

Combined report on Internal Control Structure as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)

H110 _____

Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)

H111 _____

Report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)

H112 _____

A report on Compliance with Specific Requirements applicable to Fair Housing and non-discrimination? (HUD, Ch. 2, Example E) (Note: This report may be combined with non-major HUD programs described below. (H114))

H113 _____

Report on Compliance with Laws and Regulations, based upon an audit of the financial statements performed in accordance with Government Auditing Standards? (HUD, Ch. 2, par. 2-1)

H114 _____

Note: It is expected that specific compliance requirements identified in the HUD Audit Guide will cover those laws and regulations that, if not complied with, could have a direct and material effect on the financial statements. In such cases, the compliance reports listed in Ch. 2 of the guide are the only reports necessary for reporting on the auditee's compliance with laws and regulations. However, if the auditor, as part of the audit of the financial statements, considered laws and regulations in addition to those noted in the guide, for which noncompliance could have a direct and material effect on the financial statements, as required by SAS No. 54, the auditor should also issue the compliance report in accordance with Government Auditing Standards (1994 Revision) Ch. 5, pars. 5.15 and 5.18-5.25.

Schedule of Findings and Questioned Costs? (HUD, Ch. 2, Example F as revised to conform with the 1994 Revision of the Yellow Book.)

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
H115	_____	_____	_____	_____

The Auditor's Comments on Audit Resolution Matters relating to HUD Programs? (HUD, Ch. 2, Example G as revised to conform with the 1994 Revision of the Yellow Book.)

H116	_____	_____	_____	_____
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B. Chapter 4, Insured and Coinsured Multifamily Projects,
HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232
Nursing Homes and Similar Facilities, and Section 242 Hospitals

Audit Guidance and Sample Financial Statements—
Reporting Requirements

Note: Any unallowable distribution from a project with an insured, coinsured, or HUD-held multi-family mortgage must be noted as an instance of noncompliance regardless of materiality.

Did the auditor's report on Insured and Coinsured Multifamily Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals, include the following reports, and were the reports worded in accordance with professional standards (HUD, Ch. 4, pars. 4-4A and 4B and Ch. 2, Examples A through E as revised to conform with the 1994 Revision of the Yellow Book.):

Combined report on Internal Control Structure as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)

H117	_____	_____	_____	_____
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Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)

H118	_____	_____	_____	_____
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A report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)

H119	_____	_____	_____	_____
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A report on Compliance with Specific Requirements applicable to Fair Housing and Non-Discrimination? (HUD, Ch. 2, Example E)

H120	_____	_____	_____	_____
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Report on Compliance with Laws and Regulations, based upon an audit of the financial statements performed in accordance with Government Auditing Standards? (HUD, Ch. 2, par. 2-1)

H121	_____	_____	_____	_____
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[See note following H114.]

Schedule of Findings and Questioned Costs? (HUD, Ch. 2, Example F as revised to conform with the 1994 Revision of the Yellow Book.)

H122	_____	_____	_____	_____
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The Auditor's Comments on Audit Resolution Matters relating to the HUD Programs? (HUD, Ch. 2, Example G as revised to conform with the 1994 Revision of the Yellow Book.)

H123	_____	_____	_____	_____
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Ques. N/A Yes No Ref.

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C. Chapter 5, Insured Development Cost Certification Audit

Guidance—Reporting Requirements

Did the auditor's report on Insured Development Cost Certification include the following reports, worded in accordance with professional standards (HUD, Ch. 5, par. 5-4):

A Report on the Balance Sheet and Operating Statement and the Mortgagors Certificate of Actual Cost (Form HUD 92330)?

H124

A Report on the Consideration of the Mortgagor's Internal Control Structure?

H125

A Report on the Mortgagor's Compliance with Specific Requirements?

H126

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D. Chapter 6, Ginnie Mae Issuers of Mortgage-Backed

Securities—Reporting Requirements

Did the auditor's report on Ginnie Mae issuers of mortgage-backed securities include the following reports, worded in accordance with professional standards (HUD, Ch. 6, par. 6-4 and Ch. 2, Examples A through D as revised to conform with the 1994 Revision of the Yellow Book.):

Combined report on the Internal Control Structure as it relates to both financial reporting and administering HUD-assisted programs? (HUD, Ch. 2, Example B)

H127

Opinion on compliance with specific requirements applicable to each major HUD program? (HUD, Ch. 2, Example C)

H128

A Report on Compliance with Specific Requirements applicable to nonmajor HUD program transactions? (HUD, Ch. 2, Example D)

H129

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E. Chapter 7, HUD-Approved Title II Nonsupervised

Mortgagees and Loan Correspondents Audit

Guidance—Reporting Requirements

Note: Entities subject to Ch. 7 of the HUD Audit Guide must note all instances of noncompliance.

Did the auditor's report on Title II nonsupervised mortgagees and loan correspondents include the following reports, worded in accordance with professional standards (HUD, Ch. 7, par. 7-4):

A Report on the Computation of the Mortgagee's Adjusted Net Worth? (For audits of fiscal years ending September 30, 1997 and thereafter.)

H130

A Report on the Internal Control Structure with specific requirements that have a direct and material effect on HUD-insured loans?

H131

\$22,080

An opinion on the Compliance with Specific Requirements applicable to each major HUD-assisted program, or a Report on Compliance with Specific Requirements applicable to nonmajor HUD-assisted program transactions?

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
H132	_____	_____	_____	_____

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F. Chapter 8, HUD-Approved Title I Nonsupervised Lenders and Loan Correspondents Audit Guidance—Reporting Requirements

Did the auditor's report for Title I lenders and loan correspondents include the following reports, worded in accordance with professional standards (HUD, Ch. 8, par. 8-4):

A Report on the Internal Control Structure and Compliance with specific requirements that have a direct and material effect on HUD-insured loans?

H133	_____	_____	_____	_____
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An opinion on the Compliance with Specific Requirements applicable to each major HUD-assisted program, or a Report on Compliance with Specific Requirements applicable to nonmajor HUD-assisted program transactions?

H134	_____	_____	_____	_____
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II. WORKING PAPER AREAS—HUD ENGAGEMENTS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No</u>	<u>Ref.**</u>
General					
Were appropriate personnel in compliance with the 1994 Yellow Book CPE requirements and related interpretations?	H201	_____	_____	_____	_____
Did the firm meet the independence and quality control requirements of the 1994 Yellow Book?	H202	_____	_____	_____	_____
Did the firm provide a copy of its most recent peer review report to the client? (GAO, Ch. 3, par. 3.36)	H203	_____	_____	_____	_____
Does the engagement letter required by HUD specify the following:					
• that the audit was to be performed in accordance with GAAS, the <i>Government Auditing Standards</i> , and the Consolidated Audit Guide for Audits of HUD Programs? (HUD, Ch. 1, par. 1-6)	H204	_____	_____	_____	_____
• that the scope of the audit and contents of the financial report to be issued will meet the requirements of the Consolidated Audit Guide for Audits of HUD Programs? (HUD, Ch. 1, par. 1-6)	H205	_____	_____	_____	_____
• that the Secretary of HUD, the HUD Inspector General and GAO or their representatives have access to the working papers? (HUD, Ch. 1, par. 1-6)	H206	_____	_____	_____	_____
For HUD-insured and multifamily mortgagors, that the auditor considered whether the firm performs manual or automated book-keeping services and/or maintains official accounting records? If the auditor was not independent because of the above, did the auditor resign from the engagement? (HUD, Ch. 1, par. 1-2)	H207	_____	_____	_____	_____
If the auditee is subject to OMB Circular A-133 (Non-Profit Organizations) and owns a HUD-assisted project subject to the July 1993 HUD Audit Guide, were procedures and reports relating to the specific HUD engagement performed and reported on in accordance with the July 1993 HUD Audit Guide? (HUD, Ch. 1, pars. 1-1 and 1-4)	H208	_____	_____	_____	_____
If the auditee is a Non-Profit Organization which owns a HUD-assisted project, and is not subject to the HUD Audit Guide due to the revisions in OMB Circular A-133, were procedures and reports relating to the specific HUD engagement performed and reported on in accordance with OMB Circular A-133 and related guidance? (HUD, Ch. 1, pars. 1-1 and 1-4)	H209	_____	_____	_____	_____
Did the auditor's working papers:					
Contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments? (GAO, Ch. 4, par. 4.35)	H210	_____	_____	_____	_____

* The N/A column should be used when the item either does not exist or is not material.

** All "no" answers should be handled in either of the following ways: (1) discussed on an MFC with the MFC form number noted in the Ref. column, or (2) discussed on the pages provided at the end of this checklist if no MFC was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Contain documentation of <u>meeting out of state licensing requirements</u> , if necessary? (HUD, Ch. 1, par. 1-2)	H211	_____	_____	_____	_____
Indicate that the client considered and identified all major and nonmajor programs?	H212	_____	_____	_____	_____
Note: The working papers should clearly demonstrate the auditor's understanding and assessment of control risks related to the internal control policies and procedures established for HUD-assisted activities. Tests of controls may be omitted only in areas when the internal control policies and procedures are likely to be ineffective in preventing or detecting noncompliance, in which case a reportable condition or material weakness should be reported.					
In the event that the auditor decided to omit the test of controls, did he/she document the reasons for this omission? (HUD, Ch. 1, par. 1-6)	H213	_____	_____	_____	_____
Tests of controls were performed to evaluate effectiveness of design and operation of internal control structure policies and procedures in preventing or detecting material noncompliance with the requirements of HUD programs regardless of whether the auditor assesses internal control risk below the maximum? In instances where controls were not tested, was the report properly modified? (HUD, Ch. 1, par. 1-7)	H214	_____	_____	_____	_____
Did the auditor obtain a representation letter from management that (AU Sec. 801.07c):					
<ul style="list-style-type: none"> represented that they identified all laws and regulations that have a direct and material effect on the determination of financial statement amounts and the requirements of each HUD program? (HUD, Ch. 1, par. 1-6) 	H215	_____	_____	_____	_____
<ul style="list-style-type: none"> represented that management is responsible for the organization's compliance with the laws and regulations applicable to the organization and the requirements of each HUD program and that they have complied with them? (HUD, Ch. 1, par. 1-6) 	H216	_____	_____	_____	_____
Did the auditor review the client's Corrective Action Plan as well as review and consider findings from audits conducted by HUD-OIG and other HUD program reviews, and, where applicable, in formulating an Audit Resolution Matters report? (HUD, Ch. 2-1f and Examples G and H)	H217	_____	_____	_____	_____
Program Specific Requirements					
The specific requirements for the following programs are contained in separate chapters of the HUD Audit Guide IG2000.04 Rev-1:					
<ul style="list-style-type: none"> Chapter 3, Section 8 Audit Guidance Chapter 4, Insured and Coinsured Multi-family Projects, HUD-Held Mortgages, Section 236 Subsidized Projects, Section 232 Nursing Homes and Similar Facilities, and Section 242 Hospitals, Audit Guidance, and Sample Financial Statements Chapter 5, Insured Development Cost Certification Audit Guidance 					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
• Chapter 6, Ginnie Mae Issuers of Mortgage-Backed Securities Audit Guidance					
• Chapter 7, HUD-Approved Title II Nonsupervised Mortgagees and Loan Correspondents Audit Guidance					
• Chapter 8, HUD-Approved Title I Nonsupervised Lenders and Loan Correspondents Audit Guidance					

Note: The HUD Audit Guide (the "guide") is not intended to be a complete manual of procedures, nor is the guide intended to supplant the auditor's judgment of audit work required. Suggested audit procedures contained in the guide may not cover all circumstances or conditions encountered in a particular audit. The auditor should use professional judgment to tailor the procedures so that the audit objective may be achieved. However, all applicable compliance requirements in the guide must be addressed by the auditor.

Do the working papers indicate that all appropriate procedures have been performed, and that appropriate conclusions have been drawn? (The auditor should justify why he/she did not test a particular compliance requirement.)

H218 _____

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A. Chapter 3, Section 8 Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

Fair Housing and Non-Discrimination?

H219 _____

Management, Maintenance, and Replacement Reserve?

H220 _____

Federal Financial Reports?

H221 _____

Application, Eligibility, and Reexamination of Tenants?

H222 _____

Security Deposits?

H223 _____

☐

B. Chapter 4, Insured and Coinsured Multifamily Projects,
HUD-Held Mortgages, Section 236 Subsidized Projects, Section
232 Nursing Homes and Similar Facilities, and Section 242
Hospitals, Audit Guidance and Sample Financial
Statements—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

Federal Financial Reports?

H224 _____

Fair Housing and Non-Discrimination?

H225 _____

Mortgage Status?

H226 _____

\$22,080

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Replacement Reserve?	H227	_____	_____	_____	_____
Residual Receipts?	H228	_____	_____	_____	_____
Security Deposits?	H229	_____	_____	_____	_____
Cash Receipts and Disbursements?	H230	_____	_____	_____	_____
Distributions to Owners?	H231	_____	_____	_____	_____
Tenant Application, Eligibility, and Recertification?	H232	_____	_____	_____	_____
Management Functions?	H233	_____	_____	_____	_____

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C. Chapter 5, Insured Development Cost Certification
Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

Federal Financial Reports?	H234	_____	_____	_____	_____
Accounting System?	H235	_____	_____	_____	_____
Cut-Off Timing and Eligibility of Costs?	H236	_____	_____	_____	_____
Identity of Interest?	H237	_____	_____	_____	_____

□

D. Chapter 6, Ginnie Mae Issuers of Mortgage-Backed
Securities Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

Federal Financial Reports?	H238	_____	_____	_____	_____
Eligibility to Issue Mortgage-Backed Securities?	H239	_____	_____	_____	_____
Review of Custodial Documents?	H240	_____	_____	_____	_____
Issuer's Administration of Pooled Mortgages?	H241	_____	_____	_____	_____
Review of Monthly Accounting Reports and Quarterly Submissions?	H242	_____	_____	_____	_____
Securities Marketing and Trading Practices?	H243	_____	_____	_____	_____
Ginnie Mae Adjusted Net Worth?	H244	_____	_____	_____	_____

□

E. Chapter 7, HUD-Approved Title II Nonsupervised Mortgages
and Loan Correspondents Audit Guidance—Working Paper Areas

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Quality Control Plan?	H245	_____	_____	_____	_____
Branch Office Operations?	H246	_____	_____	_____	_____
Loan Origination?	H247	_____	_____	_____	_____
Loan Settlement?	H248	_____	_____	_____	_____
Loan Servicing?	H249	_____	_____	_____	_____
Escrow Accounts?	H250	_____	_____	_____	_____
Section 235 Assistance Payments?	H251	_____	_____	_____	_____
Kickbacks?	H252	_____	_____	_____	_____
Federal Financial and Activity Reports?	H253	_____	_____	_____	_____
Mortgagee Approval Requirements?	H254	_____	_____	_____	_____

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**F. Chapter 8, HUD-Approved Title I Nonsupervised Lenders and
Loan Correspondents Audit Guidance—Working Paper Areas**

Have specific compliance requirements been tested in accordance with the procedures in the HUD Consolidated Audit Guide, or have alternative procedures been justified:

Branch Office Operations?	H255	_____	_____	_____	_____
Loan Origination?	H256	_____	_____	_____	_____
Loan Disbursement?	H257	_____	_____	_____	_____
Loan Servicing?	H258	_____	_____	_____	_____
Eligible Fees and Charges?	H259	_____	_____	_____	_____
Federal Financial Reports?	H260	_____	_____	_____	_____
Financial Approval Requirements?	H261	_____	_____	_____	_____
Quality Control Plan? (For audits of fiscal years ending September 30, 1997 and thereafter.)	H262	_____	_____	_____	_____

Did the auditor address the required supplemental data as listed in the HUD Audit Guide including test of compliance with the Adjusted Net Worth requirement, Ch. 4, par. 4-3B; Ch. 6, par. 6-4; Ch. 7, par. 7-6; and Ch. 8, par. 8-6 and Insurance requirement Ch. 6, par. 6-4?

H263	_____	_____	_____	_____
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Has the statement of cash flows been presented using the direct method (HUD Handbook 4370.2, pars. 3-4 and HUD Handbook 4370.6, pars. 2-6)? If the indirect method is used, is a schedule of cash receipts and disbursements included in supplemental information?

H264	_____	_____	_____	_____
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ON-SITE REVIEW BILLING FORM

Information on the Reviewed Firm

[Firm Name]

Firm Number

[Firm Address]

Review Number

Information on the Reviewer

[Reviewer's Name]

Reviewer's AICPA
Number

[Reviewer's Firm Name]

[Reviewer's Firm Address]

Firm Federal Identification Number

Billing Information

Gross Fees:

Total Hours _____ X Hourly Rate \$ _____ = Total Fees \$ _____

Expenses:

Airfare

Hotel

Meals

Other (identify)

Total Expenses _____

Total Fees and Expenses \$ _____

Submitted by: _____ Date: _____

Team Captain Approval (if applicable) _____

Please refer to page 2 for the instructions for submitting bills to the entity that formed the review team.

Instructions for Submission:

1. Review team members and the review team captain should submit their bills on the forms supplied by the entity that formed the review team.
2. All billing forms should include the federal identification number of the reviewer's firm.
3. Review team members should submit their completed billing forms to the team captain for approval within 15 days of the exit conference.
4. The review team captain should review and approve the bills submitted by review team members and submit those bills along with his/her own bill to the entity that formed the review team within 45 days of the exit conference.
5. No bills will be processed until the report and letter of comments have been issued to the firm and the working papers have been sent to and received by the entity that formed the review team.